Vol. XI

TRANSCRIPT OF RECORD

(Pages 4853 to 5267)

Supreme Court of the United States

OCTOBER TERM, 1944

No. 296

PANHANDLE EASTERN PIPE LINE COMPANY, ILLINOIS NATURAL GAS COMPANY AND MICHIGAN GAS TRANSMISSION CORPORATION, PETITIONERS,

vs.

FEDERAL POWER COMMISSION, CITY OF DETROIT, COUNTY OF WAYNE, MICHIGAN, ET AL.

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE EIGHTH CIRCUIT

PETITION FOR CERTIORARI FILED JULY 28, 1944

CERTIORARI GRANTED JANUARY 2, 1945.

VOL. XI.

TRANSCRIPT OF RECORD.

United States Circuit Court of Appeals
EIGHTH CIRCUIT.

No. 12,466

PANHANDLE EASTERN PIPE LINE COMPANY, A CORPORATION, ILLINOIS NATURAL GAS COMPANY, A CORPORATION, AND MICHIGAN GAS TRANSMISSION CORPORATION, A CORPORATION, PETITIONERS,

vs.

FEDERAL POWER COMMISSION, CITY OF DETROIT, MICHIGAN, COUNTY OF WAYNE, MICHIGAN, MICHIGAN CONSOLIDATED GAS COMPANY, A CORPORATION, AND MICHIGAN PUBLIC SERVICE COMMISSION, RESPONDENTS.

PETITION TO REVIEW AND SET ASIDE ORDER OF FEDERAL POWER COMMISSION

FILED FEBRUARY 6, 1943.

United States Circuit Court of Appeals

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FILED FEBRUARY 6, 1943.

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[fol. 14448] Michigan Gas Transmission Corporation

Account 353 — Mains

Item	Reproduction Cost New June 30, 1941	Condition Percent	Reproduction Cost Less Depreciation
Mains	$10,314,496	97.7	$10,077,263
Laterals	469,831	99.7	468,422
Total, Account 353 — Mains	$10,784,327		$10,545,685

[fol. 14449] Michigan Gas Transmission Corporation

Account 354.1 — Compressor Station Equipment

Item	Reproduction Cost New June 30, 1941	Condition Percent	Reproduction Cost Less Depreciation
Montezuma Compressor Station			
Main compressor units	$ 522,837	96.0	$ 501,924
Elevated water tank	9,435	96.0	9,058
Cooling towers	20,933	91.0	19,049
Auxiliaries	298,947	95.0	284,000
	$ 852,152		$ 814,031
Zionsville Compressor Station			
Main compressor units	$ 453,672	97.0	$ 440,062
Elevated water tank	10,639	97.0	10,320
Cooling towers	19,347	93.0	17,993
Auxiliaries	268,065	96.0	257,342
	$ 751,723		$ 725,717
Edgerton Compressor Station			
Main compressor units	$ 275,563	99.0	$ 272,807
Elevated water tank	11,254	99.0	11,141
Cooling towers	9,593	97.0	9,305
Auxiliaries	216,681	99.0	214,514
	$ 513,091		$ 507,767
Not analyzed	5,432		5,253
Total, Account 354.1 — All Stations	$2,122,398		$2,052,768

[fol. 14450] Michigan Gas Transmission Corporation

Account 354.2 — Measuring And Regulating Station Equipment

Item	Reproduction Cost New June 30, 1941	Condition Percent	Reproduction Cost Less Depreciation
Ft. Wayne Regulating Station	$ 8,475	93.0	$ 7,882
Detroit Measuring Station	28,361	91.0	25,809
Detroit Regulating Station	41,079	96.0	39,436
Other Measuring and Regulating Stations			
1931	3,779	77.0	2,910
1932	6,620	80.0	5,296
1934	4,867	86.0	4,186
1935	1,315	89.0	1,170
1936	2,500	91.0	2,275
1937	22,582	93.0	21,001
1938	3,371	95.0	3,202
1939	16,837	97.0	16,332
1940-41	2,965	99.0	2,935
Total, Account 354.2 — All Locations	$142,751		$132,434

[fol. 14451]

Michigan Gas Transmission Corporation

General Equipment

Account No.	Name of Account	Reproduction Cost New June 30, 1941	Condition Percent	Reproduction Cost Less Depreciation
372	Office Furniture and Fixtures	$14,880	78.0	$11,606
373	Transportation Equipment	35,445	71.0	25,166
374	Stores Equipment	1,610	90.0	1,449
377	Tools and Work Equipment	12,985	79.0	10,258
	Total, General Equipment	$64,920		$48,479

[fol. 14466] Exhibit 87

Michigan Gas Transmission Corporation

Materials and Supplies

Restatement of Cost of Major Items at Prices as of June 30, 1941

Francis S. Haberly
Consulting Engineer
Chicago

[fol. 14467] Michigan Gas Transmission Corporation

Materials And Supplies

Restatement of Cost of Major Items at Prices as of June 30, 1941

Summary

Item	Total Per Books June 30, 1941	Amount of Book Cost at June 30, 1941, to which present cost has been applied	% of Book Cost priced at June 30, 1941 prices	Present cost of materials and supplies which were priced at June 30, 1941 prices
Transmission line materials and supplies	$52,808	$31,288	59.2%	$36,174
Compressor station materials and supplies	40,510	22,923	56.6	25,348
Other	95	—	0	—
Totals	$93,413	$54,211	58.0%	$61,522

[fol. 14468] Michigan Gas Transmission Corporation

Restatement of Cost of Major Items of Transmission Line Materials and Supplies at Prices as of June 30, 1941

	Original Cost	Present Cost June 30, 1941
1931		
June		
Valve—18" Crane Gate (500#)	$ 390.49	$ 655
Sleeves—20" (Cast Split) Dayton #1518, short	335.36	368

Sleeves—18" Split—Complete	254.28	328
Pipe—10" P.E. Line	175.46	288
Pipe—16" P.E. Line	103.32	103
Pipe—18" P.E. Line	60.94	72
Pipe—20" P.E. Line	1,129.31	1,308
Valves—20" Crane Gate (500#)	385.89	648
Totals	$2,835.05	$ 3,770
July		
Regulator—6" H.P. Chaplin-Fulton	243.00	263
Pipe—18" P.E. Line	129.69	153
Totals	$ 372.69	$ 416
1936		
May		
22" Center Rings (Couplings)	803.48	939
22" Couplings—Complete	265.88	314
Valve—22" Crane Gate, (O.S.& Y.)	1,717.69	2,293
Pipe—26" Casing	384.08	427
Followers—22" (Coupling and Sleeve)	358.88	420
Pipe—22" P.E.	4,121.60	4,579
Totals	$7,651.61	$ 8,969
June		
Valve—8" Crane Gate—#343E	1,006.14	1,352
Sleeves—22" Cast Split—Dresser #54A	2,034.84	2,378
Sleeves—22" Welding (Over Coupling)	65.00	72
Totals	$3,105.98	$ 3,802

[fol. 14469] Michigan Gas Transmission Corporation

Restatement of Cost of Major Items of Transmission Line Materials and Supplies at Prices as of June 30, 1941

	Original Cost	Present Cost June 30, 1941
1936 (continued)		
August		
Valve—20" Crane Gate (500# W.P.)	$ 490.00	$ 654
November		
Valves—1" Crane Gate #66E	52.71	69
1937		
May		
Sleeves—6" (Cast Split) Dresser	88.17	83
August		
Sleeves—20" (Cast Split) Dresser #9710 Emergency Adj.	1,481.20	1,481
Sleeves—6" (Cast Split) Dresser	88.17	83
Totals	$1,569.37	$ 1,564

October		
Sleeves—20" (Cast Split) Dayton #1518 (Long)	445.52	478
Sleeves—20" (Cast Split) Dresser #54A	442.38	442
Totals	$ 887.90	$ 920
1938		
October		
Pipe—18" P.E. Line	263.55	264
1939		
March		
Sleeves—6" (Cast Split) Dresser	88.17	88
May		
Valve—24" Gate Venturi (D.D.O.S.& Y. 500#)	1,148.42	1,236
Valve—6" Crane Gate—500# G.W.P.	679.76	728
Pipe Paint—Bituinastic Coupling Compound	15.18	15
Pipe—26" Casing	126.16	126
Center Rings—24"—(Couplings)	248.64	249
Couplings—24"	12.33	12
Followers—24"—(Coupling and Sleeve)	358.90	359
Pipe—10" P.E. Line	98.68	99
Pipe—16" P.E. Line	1,034.00	1,245
Pipe—20" P.E. Line	165.84	140
Pipe—24" Steel	2,153.96	2,593
Totals	$6,041.87	$ 6,802

[fol. 14470] Michigan Gas Transmission Corporation

Restatement of Cost of Major Items of Transmission Line Materials and Supplies at Prices as of June 30, 1941

	Original Cost	Present Cost June 30, 1941
1939 (continued)		
August		
Pipe—4" P.E. Line	$ 357.13	$ 357
October		
Sleeves—24" (Cast Split) Emergency (Dr. 54A)	409.78	410
Sleeves—22" Welding (Over Coupling)	123.60	124
Sleeves—22" Welding (Over Welds)	351.96	352
Totals	$ 885.34	$ 886
November		
Sleeves—20" Welding (Over Couplings)	228.00	192
1940		
May		
Valves—1" Crane—Gate (#66E)	37.57	40
Pipe Paint—Bitum[illegible] Enamel	254.52	255
Pipe Paint—Bitum[illegible] Coupling Compound	945.36	945

Center Rings—24" (Sleeves)	265.81	266
Pipe—24" Steel	1,784.13	2,480
Felt—24"x50' Double Thick Pipe Line	295.00	295
Followers—24" (Coupling and Sleeve)	1,141.24	1,141
Pipe—20" P.E. Line	192.78	268
Totals	$4,916.41	$ 5,690
June		
Sleeves—22" Welding (Over Couplings)	395.52	550
Center Rings—24" (Coupling)	492.66	493
Pipe—10" P.E. Line	88.35	128
Totals	$ 976.53	$ 1,171
1941		
March		
Pipe—2" P.E. Line	141.49	141
May		
Valves—1" Crane Gate — (#66E)	181.12	181
Pipe—2" P.E. Line	154.86	155
Totals	$ 335.98	$ 336
Grand Totals	31,287.95	$36,174

[fol. 14471] Michigan Gas Transmission Corporation

Restatement of Cost of Major Items of Compressor Station Materials and Supplies at Prices as of June 30, 1941

	Original Cost	Present Cost June 30, 1941
1936		
October		
Metallic Packing for Power Piston Rod-Main Unit	$ 239.70	$ 309
November		
Power Piston Rod—Main Unit	472.50	
Power—Piston—Main Unit	252.00	
Totals	$ 724.50	$ 935
1937		
January		
Crank-Pin Box Wedge Half—Main Unit	766.52	
Wrist Pin Box Wedge Half—Main Unit	504.00	
Totals	$1,270.52	$ 1,640

February		
Feed Pipes—Main Unit	277.20	358
June		
Compressor Piston—Main Unit	110.25	125
August		
Exhaust Valve and Casing Complete—Main Unit	577.50	657
Power Cylinder Head—Main Unit	236.25	269
Bosch Magnetos for 6 cylinder Engine—Auxiliary Engine	258.32	294
Totals	$1,072.07	$ 1,220
October		
Shoes for L.H. Main Crosshead—Main Unit	840.00	
Compressor Piston—Main Unit	110.25	
Metallic Packing for Power Piston Rod	222.60	
Totals	$1,172.85	$ 1,334

[fol. 14472] Michigan Gas Transmission Corporation

Restatement of Cost of Major Items of Compressor Station Materials and Supplies at Prices as of June 30, 1941

	Original Cost	Present Cost June 30, 1941
1938		
January		
Piston Standard Size—Auxiliary Engine Main Unit	$ 57.75	$ 66
February		
Exhaust Valve and Casing Complete—Main Unit	577.50	657
June		
Intermediate or Rear Crosshead Gib—Main Unit	78.75	90
1939		
February		
Power Piston Rod Metallic Packing—Less Case—Main Unit	132.14	148
May		
Main Bearing Shell (Center) Auxiliary Engine	94.50	106
September		
Power Piston Rod Metallic Packing—Less Case—Main Unit	124.89	140
October		
Main Bearing Top Shell—Main Unit	247.28	
Main Bearing Side Shell—Main Unit	241.78	
Main Bearing Bottom Shell—Main Unit	329.70	

Main Bearing Side Shell—Plain—Main Unit	236.29	
Power Cylinder and Jacket Ring Complete—Main Unit	$2,720.03	
Totals	$3,775.08	$ 4,221
1940		
January		
Liner—Auxiliary Engine.	66.00	73
Intermediate or Rear Crosshead Gib—Main Unit	164.86	182
Spiral Gear on Layshaft for L.H. Engine—Main Unit	214.30	236
Spiral Gear on Layshaft for R. H. Engine—Main Unit	214.30	236
Totals	$ 659.46	$ 727

[fol. 14473] Michigan Gas Transmission Corporation

Restatement of Cost of Major Items of Compressor Station Materials and Supplies at Prices as of June 30, 1941

	Original Cost	Present Cost June 30, 1941
1940 (continued)		
February		
Power Piston and Piston Rod Assembly Complete—Cooper-Bessemer—Main Unit	$ 850.50	$ 1,029
May		
Main Bearing Caps—Center—Auxiliary Engine	72.20	80
July		
Main Bearing Top Shell—Main Unit	247.28	
Main Bearing Side Shell—Main Unit	241.78	
Main Bearing Bottom Shell—Main Unit	329.70	
Main Bearing Side Shell—Plain—Main Unit	236.29	
Fire Check Rings—Complete—Main Unit	150.40	
Totals	$1,205.45	$ 1,327
October		
Power Cylinder Assembly Less Studs and Nuts	1,669.31	1,838
Main Bearing Complete—Cooper Main	664.02	803
Totals	$2,333.33	$ 2,641
December		
Main Bearing Shell Center—Auxiliary Unit	82.50	
Main Bearing Caps—Center—Auxiliary Unit	185.65	
Connecting Rod Shell Halves—Auxiliary Unit	165.00	
Totals	$ 433.15	$ 478

[fol. 14474] Michigan Gas Transmission Corporation

Restatement of Cost of Major Items of Compressor Station Materials and Supplies at Prices as of June 30, 1941

	Original Cost	Present Cost June 30, 1941
1941		
January		
Feed Pipes--Main Unit	$ 96.71	$ 97
February		
Compressor Piston:—1 Piston, 1 Rod—2 Nuts—Copper Main	331.24	387
March		
Salt	504.00	504
Pistons—Standard Size—Auxiliary	402.60	403
Liners—Auxiliary Unit	366.00	366
Power Piston Rings—Main Unit	358.56	358
Main Bearing Caps—Center—Auxiliary Unit	213.50	213
Cylinder Head Complete—Auxiliary Unit	223.77	224
Main Bearing Shell—Center " "	91.50	92
Main Bearing Caps— " " "	128.10	128
Connecting Rod Shell Halves-- " "	205.27	205
Totals	$2,493.30	$ 2,493
April		
Exhaust Valve Stem Crosshead Guides—Main Unit	365.40	365
May		
Oil—Standard Gas Engine	789.11	789
Connecting Rod—Main Unit	876.96	877
Fire Check Rings, Complete—Main Unit	225.60	226
Paint—Aluminum and other	700.00	700
Packing—Garlock	1,375.00	1,375
Totals	$3,966.67	$3,967
1941		
June		
Oil—Standard Gas Engine	198.04	198
Salt	210.00	210
Totals	$ 408.04	$ 408
Grand Total	$22,923.15	$25,348

MICHIGAN GAS TRANSMISSION CORPORATION

Comparative Balance Sheets, Per Books,
As at December 31, 1936 to 1940, Inclusive, and June 30, 1941

ASSETS	December 31, 1936	1937	1938	1939	19
UTILITY PLANT					
Property, plant and equipment - Gas	$7,770,429.45	$ 9,226,241.24	$ 9,260,046.57	$ 9,812,435.56	$12,29
INVESTMENTS					
Contractual loans in aid of construction made to customers:					
Central Indiana Gas Company	$ -	$ -	$ 14,000.00	$ 9,637.62	$ 5
Kokomo Gas and Fuel Company	-	-	-	-	
	$ -	$ -	$ 14,000.00	$ 9,637.62	$ 5
CURRENT AND ACCRUED ASSETS					
Cash	$ 80,042.95	$ 63,768.82	$ 176,102.78	$ 418,276.55	$ 956,
Working funds	14,400.00	5,920.77	5,103.64	5,110.00	5,
Accounts receivable:					
Associated companies	98,828.51	30,587.71	30,160.49	28,221.19	32,
Customers' service, etc.	556,440.37	667,359.20	796,790.52	934,061.97	1,036,
Materials and supplies	36,748.61	40,675.47	47,571.69	54,075.65	78,
Prepayments	1,697.48	2,995.77	2,876.81	3,744.93	3,
Other current and accrued assets	-	-	-	-	
	$ 788,157.92	$ 811,307.74	$ 1,058,605.93	$ 1,443,490.29	$ 2,111,
DEFERRED DEBITS					
Preliminary survey and investigation charges	$ 9,026.99	$ 528.41	$ 308.32	$ 1,039.71	$
Clearing accounts	117.04	875.81	-	-	
Retirement work in progress	*(18.59)	-	-	-	
Deferred sales promotion expense	-	56,167.00	-	3,374.07	
Contingent sales promotion expense (contra)	-	57,312.53	34,531.25	-	
Contract cancellation charge:					
Worthington Pump & Machinery Corp.	-	-	-	-	
Other deferred debits	-	9,902.47	$ 18,042.29		
	$ 9,125.44	$ 124,786.22	$ 52,881.86	$ 4,413.78	$ 1,7
	$8,567,712.81	$10,162,335.20	$10,385,534.36	$11,269,977.25	$14,415.0

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Balance Sheets

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Books,
and June 30, 1941

939	1940	June 30, 1941
12,435.56	$12,295,896.99	$12,402,884.28
9,637.62	$ 5,649.67	$ 3,360.45
-	-	2,692.98
9,637.62	$ 5,649.67	$ 6,053.43
18,276.55	$ 956,786.58	$ 503,871.83
5,110.00	5,200.00	5,000.00
28,221.19	32,014.97	26,402.62
34,061.97	1,036,210.92	797,598.33
54,075.65	78,172.35	93,412.78
3,744.93	3,324.65	6,000.76
-	-	753.88
43,490.29	$ 2,111,709.47	$ 1,433,040.20
1,039.71	$ -	$ 853.27
-	987.35	1,076.75
-	801.72	212.39
3,374.07	-	-
-	-	-
-	-	5,000.00
		54.10
4,413.78	$ 1,789.07	$ 7,196.51
69,977.25	$14,415,045.20	$13,849,174.42

MICHIGAN GAS TRANSMISSION CORPORATION

Comparative Balance Sheets, Per Books,
As at December 31, 1936 to 1940, Inclusive, and June 30, 1941

LIABILITIES	December 31, 1936	1937	1938	1939	19
CAPITAL STOCK					
Common - no par value	$2,240,000.00	$ 2,240,000.00	$ 2,240,000.00	$ 2,240,000.00	$ 2,24
LONG TERM DEBT PAYABLE TO COLUMBIA GAS & ELECTRIC CORPORATION (Parent Company):					
6% Demand notes payable	$ -	$ 6,391,094.30	$ 6,040,000.00	$ 5,900,500.00	$ 5,90
6% Loans payable	5,136,397.68	-	116,000.00	570,000.00	2,82
	$5,136,397.68	$ 6,391,094.30	$ 6,156,000.00	$ 6,470,500.00	$ 8,72
CURRENT AND ACCRUED LIABILITIES					
Accounts payable:					
Panhandle Eastern Pipe Line Company	$ 515,076.02	$ 486,028.67	$ 658,538.90	$ 756,155.85	$ 85
Associated companies:					
Columbia Gas & Electric Corp. - Interest	77,963.07	-	-	-	
Other	3,069.41	1,196.20	3,370.79	4,174.45	
Other	19,221.31	80,623.14	13,211.77	19,075.38	14
Taxes accrued	63,367.43	112,605.20	171,304.65	226,833.22	46
Other current and accrued liabilities	102,019.23	41,352.67	23,532.77	19,960.89	7
	$ 780,716.47	$ 721,805.88	$ 869,958.88	$ 1,026,199.79	$ 1,54
DEFERRED CREDITS					
Contractual loan from Panhandle Eastern Pipe Line Company covering 77% of an advance to Central Indiana Gas Company and repayable from collections on said advance - contra	$ -	$ -	$ 10,780.00	$ 7,420.97	$
Contingent liability for conversion costs - contra	-	57,312.53	34,531.25	-	
Other deferred credits	2,667.97	30,559.81	14,725.36	2,456.11	
	$ 2,667.97	$ 87,872.34	$ 60,036.61	$ 9,877.08	$
RESERVES					
Reserve for depreciation of Gas plant	$ 275,877.64	$ 511,336.49	$ 787,284.08	$ 1,057,724.83	$ 1,34
Injuries and damages reserve	776.07	3,176.07	5,576.07	7,216.15	1
Contingencies reserve	6,916.88	12,563.74	20,623.50	90,001.98	10
	$ 283,570.59	$ 527,076.30	$ 813,483.65	$ 1,154,942.96	$ 1,45
CONTRIBUTIONS IN AID OF CONSTRUCTION	$ -	$ 2,470.68	$ 4,760.33	$ 5,592.96	$
SURPLUS					
Capital surplus	$ 26,662.76	$ 26,662.76	$ 26,662.76	$ 166,162.76	$ 16
Earned surplus	97,697.34	165,352.94	214,632.13	196,701.70	27
	$ 124,360.10	$ 192,015.70	$ 241,294.89	$ 362,864.46	$ 43
	$8,567,712.81	$10,162,335.20	$10,385,534.36	$11,269,977.25	$14,41

Exhibit 88
Page No. 2
Balance Sheets

CORPORATION

s, Per Books,
usive, and June 30, 1941

1939	1940	June 30, 1941
$ 2,240,000.00	$ 2,240,000.00	$ 2,240,000.00
$ 5,900,500.00	$ 5,900,500.00	$ 5,900,500.00
570,000.00	2,820,000.00	2,420,000.00
$ 6,470,500.00	$ 8,720,500.00	$ 8,320,500.00
$ 756,155.85	$ 856,703.24	$ 661,660.92
-	-	124,807.50
4,174.45	5,423.48	4,070.30
19,075.38	143,356.38	34,437.18
226,833.22	463,181.66	537,851.88
19,960.89	76,381.93	7,557.90
$ 1,026,199.79	$ 1,545,046.69	$ 1,370,385.68
$ 7,420.97	$ 4,350.28	$ 2,587.58
-	-	
2,456.11	-	1,927.74
$ 9,877.08	$ 4,350.28	$ 4,515.32
$ 1,057,724.83	$ 1,340,074.96	$ 1,526,600.89
7,216.15	10,765.66	14,488.14
90,001.98	107,019.58	109,799.33
$ 1,154,942.96	$ 1,457,860.20	$ 1,650,888.36
$ 5,592.96	$ 9,342.96	$ 9,342.96
$ 166,162.76	$ 166,162.76	$ 166,162.76
196,701.70	271,782.31	87,379.34
$ 362,864.46	$ 437,945.07	$ 253,542.10
$11,269,977.25	$14,415,045.20	$13,849,174.42

MICHIGAN GAS TRANSMISSION CORPORATION

Earned Surplus Per Books for the Ten Months Ended December 31, 1936, Years 1937 to 1940, Inclusive, Year and Six Months Ended June 30, 1941

	Ten Months Ended December 31, 1936 (A)	Years Ended December 31, 1937 (B)	1938 (C)	1939 (D)	1940 (E)
(1) BALANCE AT BEGINNING OF PERIOD	$ -	$ 97,697.34	$165,352.94	$214,632.13	$196,701.
CREDITS:					
(2) Credit balance transferred from income account	209,697.34	162,849.85	228,479.19	556,573.09	500,680.
(3) Adjustment of federal income tax accrual	-	-	-	12,978.92	11,603.
(4) Unclaimed wages written off	-	52.61	-	-	-
(5) Partial liquidating dividend of Columbia System Protection Fund	-	-	-	5,580.00	-
(6) Additional revenue from prior years' gas sales	-	-	-	3,105.46	-
(7) Total Credits	$209,697.34	$260,599.80	$393,832.13	$792,869.60	$708,985.4
DEBITS:					
(8) Dividend appropriations - common stock	$112,000.00	$ 89,600.00	$179,200.00	$537,600.00	$425,600.0
(9) Amount reserved for additional prior years' federal income taxes	-	5,646.86	-	58,567.90	11,603.1
(10) Total Debits	$112,000.00	$ 95,246.86	$179,200.00	$596,167.90	$437,203.1
(11) BALANCE AT END OF PERIOD	$ 97,697.34	$165,352.94	$214,632.13	$196,701.70	$271,782.3

14477

Exhibit 89
No. of Pages - 1
Page No. 1
Witness - Spitznagle
Earned Surplus

ION CORPORATION

Ionths Ended December 31, 1936,
1 Six Months Ended June 30, 1941

	Years Ended December 31, 1938 (C)	1939 (D)	1940 (E)	Twelve Months Ended June 30, 1941 (F)	Six Months Ended June 30, 1941 (G)
7.34	$165,352.94	$214,632.13	$196,701.70	$299,856.97	$271,782.31
9.85	228,479.19	556,573.09	500,680.61	392,322.37	285,997.03
	-	12,978.92	11,603.14	11,603.14	-
2.61	-	-	-	-	-
	-	5,580.00	-	-	-
	-	3,105.46	-	-	-
9.80	$393,832.13	$792,869.60	$708,985.45	$703,782.48	$557,779.34
0.00	$179,200.00	$537,600.00	$425,600.00	$604,800.00	$470,400.00
6.86	-	58,567.90	11,603.14	11,603.14	-
6.86	$179,200.00	$596,167.90	$437,203.14	$616,403.14	$470,400.00
2.94	$214,632.13	$196,701.70	$271,782.31	$ 87,379.34	$ 87,379.34

MICHIGAN GAS TRANSMISSION CORPORATION

Capital Surplus, Per books, for the Ten Months Ended December 31, 1936, Years 1937 to 1940, Inclusive, Year and Six Months Ended June 30, 1941

	Ten Months Ended December 31, 1936 (A)	Years Ended December 31, 1937 (B)	1938 (C)	1939 (D)	19 (E
(1) BALANCE AT BEGINNING OF PERIOD	$ -	$ 26,662.76	$ 26,662.76	$ 26,662.76	$ 166,1
CREDITS:					
(2) Earned surplus of Indiana Gas Transmission Corporation at March 1, 1936, Date of Merger and Consolidation.	26,662.76	-	-	-	-
(3) Capital contribution received from Columbia Gas & Electric Corporation Representing cancellation of $139,500.00 principal amount of 6% Demand Notes.	-	-	-	139,500.00	-
(4) BALANCE AT END OF PERIOD	$ 26,662.76	$ 26,662.76	$ 26,662.76	$166,162.76	166,1

14478

Exhibit 90
No. of Pages - 1
Page No. 1
Witness - Spitznagle
Capital surplus

CORPORATION

ths Ended December 31, 1936,
hs Ended June 30, 1941

Years Ended December 31, 1938 (C)	1939 (D)	1940 (E)	Year Ended June 30, 1941 (F)	Six Months Ended June 30, 1941 (G)
$ 26,662.76	$ 26,662.76	$ 166,162.76	$ 166,162.76	$ 166,162.76
-	-	-	-	-
-	139,500.00	-	-	-
$ 26,662.76	$166,162.76	$ 166,162.76	$ 166,162.76	$ 166,162.76

[fol. 14479] Exhibit 91

Michigan Gas Transmission Corporation

Preliminary Report on Original Cost Studies By Central Service Corporation

1—Original Cost—Books and Records

The records and accounts of the reporting company, complete from the date of incorporation to the present date, are maintained in their general office at Detroit, Michigan under the control of Mr. L. J. Mueller, Assistant Treasurer of the Company. The books of accounts used consist of the following:

General Ledger, containing control accounts and sub accounts thereof.

Voucher Register, containing journalization of cash and journal vouchers.

Cash Books, containing journalization of all cash receipts and disbursements.

Fixed Capital Record, containing detail classified plant accounts separated so as to give effect to the detail gas plant accounts necessary to support F. P. C. Accounts 100.1 and 100.6.

Construction Work in Progress Record, containing incompleted work orders.

Completed Construction Work in Progress Record, containing the completed work orders.

Expense Distribution Record, containing the detail accounts in support of F. P. C. Account 502—Operating Expenses.

[fol. 14480] Transportation Records, containing the accumulation of transportation expenses and the distribution thereof.

The classification of accounts used in maintaining the above records at both January 1, 1940, effective date of the Uniform System of Accounts, and at June 30, 1941, is

similar to the classification prescribed by said Uniform System of Accounts and the current accounts in the General Ledger indicate the applicable F. P. C. account number.

A work order system has been used since the date of incorporation to record all charges and credits in the gas plant account, except those resulting from the property acquired from Indiana Gas Transmission Corporation, upon merger as of March 1, 1936.

The records and accounts of Indiana Gas Transmission Corporation complete from the date of its incorporation to the date of its dissolution with the exception of certain sub accounts, set up by machine bookkeeping, which cannot be located for the years 1933, 1934 and 1935, are also kept in the Detroit Office of the reporting company under the care of Mr. L. J. Mueller, Assistant Treasurer of the Michigan Gas Transmission Corporation. This company also used a voucher system and kept the following books of accounts:

General Ledger, containing control accounts and sub accounts thereof.

Voucher Register, containing journalization of cash and journal vouchers.

Cash Books, containing journalization of all cash receipts and disbursements.

[fol. 14481] Fixed Capital Record, containing detailed classified plant accounts together with the completed work orders.

Expense Distribution Record, containing the detail accounts in support of operating expenses and maintenance.

All of the cash and journal vouchers in support of all transactions are intact so that all required detail facts and information can be obtained regarding the data recorded in the missing sub accounts.

The construction work in progress sheets developed by Columbia Gas Construction Company to show the original cost of the natural gas pipe line built by them in 1931 for The Ohio Fuel Gas Company and purchased as of No-

vember 25, 1931 by Indiana Gas Transmission Corporation, are kept in the Fixed Capital Record. All of the vouchers of Columbia Gas Construction Company which support these construction work in progress sheets are also on file in the Detroit office.

2—Original Cost—Scope of Examination

(a) All charges to property and plant account, as recorded in detail accounting records of Michigan Gas Transmission Corporation, Indiana Gas Transmission Corporation, and Columbia Gas Construction Company detail cost records covering the property acquired by Indiana Gas Transmission Corporation from The Ohio Fuel Gas Company, were examined by representatives of Columbia Engineering Corporation, an affiliated service Company, under the direction of Mr. L. J. Mueller, Assistant Treasurer of Michigan Gas Transmission Corporation.

[fol. 14482] Said representatives determined the charges and credits for capital expenditures includible in "Gas Plant" (Account 100), the sub-divisions of said account (Accounts 100.1 to 100.6 inclusive), and the detail plant accounts (Accounts 301 to 392 inclusive), as prescribed by the Federal Power Commission in its "Uniform System of Accounts", effective January 1, 1940.

Said representatives also determined that the aforementioned charges constituted actual cash expenditures of the respective Companies or its equivalent. They determined, in so far as the records would reveal, if all property taken out of service by the respective Companies had been properly retired on the books of the said Companies.

Said representatives determined the amount of charges and credits requiring reclassification in the detail plant accounts.

Said representatives have partially developed units of property owned at June 30, 1941, the original cost thereof and other related data, and are in the process of preparing like data on the balance of the Company's property.

It is the Company's intention to complete a physical inventory of office furniture and fixtures and work equip-

ment which may result in further minor adjustments to "Gas Plant", but it is believed such adjustments will not be material.

(b) The Indiana Gas Transmission Corporation at the date of acquisition of property acquired from the Panhandle Eastern Pipe Line Company was furnished with a classified statement of the cost of such acquired property by said Panhandle Eastern Pipe Line Company.

[fol. 14483] Detailed cost records for the property acquired from Panhandle Eastern Pipe Line Company, except the details of labor furnished by independent contractors, are maintained in the Kansas City, Missouri, offices of Panhandle Eastern Pipe Line Company.

Central Service Corporation examined the said detail records of Panhandle Eastern Pipe Line Company by examining at least 50% of the vouchers covering payments and charges recorded in the detail cost records, and test checked the classification of the items listed in said detail bill to Indiana Gas Transmission Corporation. No detail records to substantiate the labor classification appearing in said detail bill could be located, but the total labor charge was unified with payments made to the independent contractors.

Said analysis also developed certain variations in the detail account classification of said bill, which have been corrected, and the fact that expenses totalling \$3,657.83 covering expense in connection with a proposed contract with an Indianapolis, Indiana Company, not consummated, were included in said bill. Since the item of \$3,657.83 is small in relation to the total cost of property acquired, said item was permitted to remain in cost of transmission mains.

In addition, said bill contains the following allocated charges representing the proportionate part of overhead and other expenses suffered on the entire line from Texas Panhandle field to Racoon Creek, at a point in Indiana about 16½ miles east of Montezuma, Indiana.

[fol. 14484]

		Per cent of Total of Respective Charges
Organization Expense	$ 1,204.48	3.24%
Franchise Expense	1,030.42	3.24%
Overhead Expense	2,222.15	3.24%
Interest Expense	2,245.40	3.24%
Insurance Expense	14.23	3.24%
Contractors General Expense	760.47	3.24%
Williams Bros. Bond Expense	810.00	3.24%
Warehouse Expense	1.40	3.24%
Total	$ 8,288.55	
Fees and Expenses paid to Brokaw, Dixon, Garner & McKee, Engineers	$48,073.58	5.10%
	$56,362.13	

It should be noted that the above 3.24% allocations were based on total charges, of the character indicated, made to December 31, 1930, whereas, the Indiana portion of the line was not completed until March, 1931, there being no further charges of that character made to the cost of said Indiana line by Panhandle Eastern.

The records of Panhandle Eastern did not indicate the basis for the 3.24% allocation, but we were informed by a representative of Panhandle Eastern, that said 3.24% was the ratio of the miles of Indiana Line (25.5 miles) to the total miles of line under construction (790 miles). Since the resulting amount of the 3.24% allocated charges as classified and the aggregate amount thereof ($8,288.55) is not large and represents only .88% (eighty-eight hundreds of one per cent) of total direct charges of $960,-774.44 incurred in building the Indiana Line, we did not believe any further investigation of such charges was warranted.

[fol. 14485] The fees and expenses of Brokaw, Dixon, Garner & McKee, engineers, cover allocated charges of $37,932.77 to January 31, 1931, based upon 5.10% of the total of said charges applicable to the 790 miles of constructed line, and allocated charges of $10,140.81 for February and March 1931. The method of determining the portion of said charges applicable to the Indiana line is not presently available.

Central Service Corporation test checked charges made to detail construction records of Michigan Gas Transmission Corporation, Indiana Gas Transmission Corporation and Columbia Gas Construction Company detail cost records covering the property acquired from The Ohio Fuel Gas Company, by checking charges against vouchers and cash payments, examining classification of ascertainable overheads and generally established that all charges made to "Gas Plant" were at original cost, except as hereinafter noted.

As a result of the examination Central Service Corporation has established that a fee of $139,423.73 was charged The Ohio Fuel Gas Company by Columbia Gas Construction Company in connection with the construction of property acquired by the Indiana Gas Transmission Corporation as of November 25, 1931. Said fee is now classified on the books of the company in "Gas Plant—Transmission Mains" and "Gas Plant—Land and Land Rights." We understand that this amount represents largely an inter-company profit by the affiliated company. Since such in- [fol. 14486] ter-company profits, under present regulation, may be questioned we have classified this amount, together with $2,200 of interest responsive to said amount, in Account 407—"Gas Plant Adjustments". We do this in order to avoid controversy at this time in connection with the rate proceedings before the Federal Power Commission and because the amount of these items is relatively small in relation to the original cost of the "Gas Plant." In the opinion of the company the amount of these items, or a substantial portion thereof, is properly includable in original cost.

Since the date the foregoing construction was completed and put into service, namely January 1, 1932, the Indiana Gas Transmission Corporation and Michigan Gas Transmission Corporation have accrued depreciation on said fee and interest amounting to $27,617.00 and $33,990.00 at January 1, 1940, and June 30, 1941, respectively.

Central Service Corporation has prepared the following statements, which are subject to corrections believed not to be material, for the purpose of affording a preliminary review of original cost in connection with the Com-

pany's present rate case before the Federal Power Commission:

[fol. 14487] Statement—A—Outline of Origin and Development.

Statement—B—Showing for each acquisition by the reporting Company or any of its predecessors of a gas operating unit or system, the original cost, estimated if not known, the cost to such company, and the amount entered in the books in respect thereto as of the date of acquisition.

Statement—C—Not applicable, because there were no amounts arrived at by appraisal, recorded in Gas Plant accounts.

Statement—D—Showing gas plant as of January 1, 1940, and June 30, 1941, as classified in the books of account immediately prior to reclassification in accordance with the new system of accounts, including, under a descriptive heading, any unclassified plant applicable jointly to the gas department and other departments of the utility.

Statement—E—Showing summary adjustments necessary to state, as of January 1, 1940, Account 100 "Gas Plant," including all its subsidiary accounts and Account 107, Gas Plant Adjustments, as prescribed in the Uniform System of Accounts.

Statement—F—Showing "Gas Plant" (balance sheet account 100) as of January 1, 1940, classified according to the accounts prescribed in the Uniform System of Accounts effective on that date, and showing also the amount includible in Account 107, "Gas Plant Adjustments".

[fol. 14488] Statement—F (a)—Showing summary of "Gas Plant" (Account 100) of Michigan Gas Transmission Corporation and predecessor companies, as reclassified by years, for period 1931 to June 30, 1941, inclusive.

Statement—G—Comparative balance sheet, as of January 1, 1940, showing the accounts and amounts appearing in the books before the adjusting entries have been made and after such entries shall have been made.

Statement—H—Suggested plan for depreciating, amortizing, or otherwise disposing in whole or in part of the amounts, as at January 1, 1940, includible in Account 100.5 "Gas Plant Acquisition Adjustment", and Account 107, "Gas Plant Adjustments."

Statement—I—Statistical Information Relative to Gas Plant at June 30, 1941.

[fol. 14489] Statement A

Michigan Gas Transmission Corporation

Outline of Origin and Development

The reporting company was organized November 2, 1935, under the laws of the State of Delaware, with an authorized capital of 50,000 shares (increased to 60,000 shares in 1936) of common stock without par value, having one vote per share. Columbia Gas & Electric Corporation (Parent Company) caused said reporting company to be organized to conduct the following business, as summarized from the "Certificate of Incorporation" of said company:

To engage in the business of transmitting natural Gas, artificial gas and or mixed gases, into, thru and from the State of Michigan and to supply gas so transmitted to other corporations, etc. engaged in the business of supplying gas to the public.

To lay, construct, purchase, etc. pipe lines and mains for transmission of gas.

To purchase or otherwise acquire, store and transmit such gas and to sell or otherwise dispose of same to corporations, etc. as aforesaid.

To acquire and to hold, sell, exchange, etc. any and all kinds of securities created or issued by any person, etc.

To promote, organize, aid or assist, persons, etc. engaged in any business.

To borrow money for any purposes of the Corporation from time to time and without limit as to amount; to issue and sell its own securities.

To purchase, hold, cancel, reissue or otherwise deal in its own securities.

[fol. 14490] The issued and outstanding common stock of the reporting company, as at January 1, 1940, was 44,800 shares, as detailed in Statement A-1 submitted herewith.

As of March 1, 1936, the reporting company acquired by merger, pursuant to "Agreement of merger and consolidation", approved March 2, 1936, by its Board of Directors, the properties and assets of the Indiana Gas Transmission Corporation and assumed the liabilities of said latter corporation.

Subsequent to March 1, 1936, the reporting company expanded its system primarily by the addition of the property described in statement I "Statistical Information, etc.," submitted herewith, except items designated "Line A and B" therein.

The Indiana Gas Transmission Corporation was organized February 18, 1931, under the laws of the State of Delaware, with an authorized capital stock of 10,000 shares of no par value. The issued and outstanding capital stock, as of March 1, 1936, of said Indiana Gas Transmission Corporation, was 200 shares of common stock, without par value, issued for cash in the amount of $10,000.00 and was owned by Columbia Gas & Electric Corporation (Parent Company). Said common stock was acquired by said parent company for $10,000.00 about February 27, 1936, from Columbia Oil & Gasoline Corporation.

As of September 15, 1931, the Indiana Gas Transmission Corporation, a subsidiary of Columbia Oil & Gasoline Corporation acquired from Panhandle Eastern Pipe Line Company, a subsidiary of Columbia Oil & Gasoline Corporation, the following constructed properties, not then in service:

[fol. 14491] 25.89 miles of natural gas pipe lines, completed prior to date of purchase, extending from a point at the Indiana-Illinois State Line, near Dana, Indiana, in an easterly direction to a point on Big Racoon Creek, in Parke [Count] Indiana; material for approximately 20½ miles of natural gas pipe-lines under construction, extend-

ing in an easterly direction, beyond a point on Big Racoon Creek, toward Muncie, Indiana; and all rights interest etc., in the contracts, franchises, business, etc., responsive to said natural gas pipe lines, subject to all liabilities of the seller to complete said line, render service and to all encumberance on the said property and project acquired.

As of November 25, 1931, the Indiana Gas Transmission Corporation, a subsidiary of Columbia Oil & Gasoline Corporation, acquired from The Ohio Fuel Gas Company, a subsidiary of Columbia Gas & Electric Corporation, the following property and services constructed and performed by Columbia Gas Construction Company, a subsidiary, of Columbia Gas & Electric Corporation, and not then in service:

Services, etc., for the completion of approximately 20½ miles of natural gas pipe line, started by and acquired from Panhandle Eastern Pipe Line Company, as previously described in this statement; approximately 23½ miles of 20″ natural gas pipe line, extending from a point approximately 23½ miles west by south of Zionsville, Indiana; 52.4 miles of 18″ natural gas pipe line, extending from Zionsville, Indiana to point known as King Measuring Station located adjacent to Muncie, Indiana.

MICHIGAN GAS TRANSMISSION CORPORATION

Common Stock Issued and Outstanding at January 1, 1940
and June 30, 1941

Date of Issuance	Issued to	Shares Issued	Unit Price	Amount	Consideration
November 1935	Columbia Gas & Electric Corporation	20	$50.00	$ 1,000.00	Cash-Received on November 6, 1935
November 1935	Columbia Gas & Electric Corporation	300	50.00	15,000.00	Cash-Received on November 14, 1935
March 1936	Columbia Gas & Electric Corporation	200	50.00	10,000.00	Cancellation of liability for capital stock of Indiana Gas Transmission Corporation resulting from merger with that company
March 1936.	Columbia Gas & Electric Corporation	280	50.00	14,000.00	Cancellation of loans payable to parent company in the amount of $14,000.00, which were set up on February 17, 1936 upon the receipt of a cash advance for that amount
March 1936	Columbia Gas & Electric Corporation	44,000	50.00	2,200,000.00	Cancellation of $2,200,000.00 principal amount of loans payable to parent company taken over from Indiana Gas Transmission Corporation upon merger with that company
Total Common Stock Issued and Outstanding at January 1, 1940 and June 30, 1941.		44,800	$50.00	$2,240,000.00	

MICHIGAN GAS TRANSMISSION CORPORATION

Showing for each acquisition by the reporting company or any of its predece
of a gas operating unit or system, the original cost, estimated if not known, th
to such company and the amount entered in the books in respect thereto as of the
of acquisition.

MICHIGAN GAS TRANSMISSION CORPORATION:

Date of acquisition	March 1, 1936	December 1936
From whom acquired	Indiana Gas Transmission Corporation	The Ohio Fuel Gas Company
Description of property acquired	A natural gas pipe line system consisting of approximately 122 miles of 20" or 18" transmission mains in the State of Indiana from a point on the Illinois-Indiana State Line, near Dana, Ind., in an easterly direction to a point near Muncie, Indiana, known as the King Measuring Station, together with the necessary structures and equipment required to service the system's customers (Operating unit).	Testing equipment for use at measuring and regulating stations, issued from stock at Greenville, Indiana by The Ohio Fuel Gas Company (Non-operating unit).
Original cost to company from whom acquired	$2,263,313.91	$ 156.87
Amount entered on books at date of acquisition:		
Cost to reporting company	$2,210,460.87 (2)	$ 156.87
Amount credited to depreciation reserve (1)	$ 194,476.77	-
Total amount to Gas Plant	$2,404,937.64 (2)	$ 156.87

INDIANA GAS TRANSMISSION CORPORATION:

Date of acquisition	September 15, 1931	November 25, 1931
From whom acquired	Panhandle Eastern Pipe Line Company	The Ohio Fuel Gas Company
Description of property acquired	A natural gas pipe line system consisting of 25.89 miles of completed transmission mains in the State of Indiana from a point on the Illinois-Indiana State Line, near Dana, Ind., in an easterly direction to a point on Big Racoon Creek, together with approximately 109,000 feet of pipe in the process of construction east of Big Racoon Creek (Operating unit nearing completion but not in operation.)	A natural gas pipe line system consisting of approximately 96 miles of transmission mains in the State of Indiana from a point on Big Racoon Creek to a point near Muncie, Ind., known as King Measuring Station. This line includes the completion of the construction in progress acquired from Panhandle Eastern Pipe Line Co. (Operating unit nearing completion but not in operation).
Original cost to company from whom acquired	$1,048,253.55	$1,157,375.55
Constructed property (gross)	-	-
Retirements	-	-
Original cost of property sold	$1,048,253.55	$1,157,375.55
Cost to acquiring company	$1,048,253.55	$1,298,999.28 (2)
Amount entered on books at date of acquisition:		
Cost to predecessor company	$1,048,253.55	$1,298,999.28 (2)
Amount credited to depreciation reserve (1)	-	-
Total amount to Gas Plant	$1,048,253.55	$1,298,999.28 (2)

* ( ) Denotes red figure.
(1) Same as the amount recorded in the depreciation reserve on predecessor company's books.
(2) Includes amount of engineering fee ($139,423.73) and interest during construction thereon $2,200.00 which amount has been estimated) th
opinion of the Company, is properly includable in original cost, classified as at January 1, 1940 in account 107 "Gas Plant Adjustmen
is so small as to eliminate any adjustment on account thereof.

Statement B 14493

4883

SMISSION CORPORATION

roporting company or any of its predecessors
iginal cost, estimated if not known, the cost
the books in respect thereto as of the date

mber 1936
Ohio Fuel Gas Company
ing equipment for use at
uring and regulating stations,
ed from stock at Greenville,
ana by The Ohio Fuel Gas Com-
(Non-operating unit).

156.87

156.87
-
156.87

March 1937
Indiana Gas Distribution Corporation
Measuring and regulating stations at
Brownsburg, Zionsville, Carmel, Dana,
Rockville, North Salem and Danville,
including all equipment, structures,
leaseholds and mains applicable there-
to (Operating unit).

$ 8,805.34

$ 8,224.87
$ 580.47
$ 8,805.34

April 1937
The Ohio Fuel Gas Company
Measuring and regulating station
at Newcastle, Indiana, including
all equipment, structures and
leaseholds applicable thereto
(Operating unit).

$ 4,049.97

$ 3,788.01
$ 261.96
$ 4,049.97

mber 25, 1931
Ohio Fuel Gas Company
tural gas pipe line system con-
ing of approximately 96 miles of
smission mains in the State of
ana from a point on Big Racoon
k to a point near Muncie, Ind.,
n as King Measuring Station.
line includes the completion of
construction in progress acquired
Panhandle Eastern Pipe Line Co.
rating unit nearing completion
not in operation).

57,375.55
-
-
57,375.55
98,999.28 (2)

98,999.28 (2)
-
8,999.28 (2)

Various
Constructed by Company
Sundry minor additions consisting
largely of rural taps and measuring
and regulating equipment and struc-
tures.

$ -
59,478.96
*(1,794.15)
$ 57,684.81

Total acquired and constructed property
at March 1, 1936, transferred to
Michigan Gas Transmission Corporation.

$2,205,629.10
59,478.96
*(1,794.15)
$2,263,3.3.91

.00 which amount has been estimated) the aggregate amount of which, or a substantial portion thereof, in the
40 in account 107 "Gas Plant Adjustments". Amount of retirements which might be applicable to these items

STATEMENT D 14494
4885

MICHIGAN GAS TRANSMISSION CORPORATION

Gas Plant as at January 1, 1940, and June 30, 1941, as classified in the Books of Account Immediately prior to reclassification in Accordance with Uniform System of Accounts.

		January 1, 1940	June 30, 1941
	INTANGIBLE PLANT:		
(1)	Organization	$ 10,332.75	$ 10,332.75
(2)	Miscellaneous Intangible	73,667.17	73,667.17
(3)	Total Intangible Plant	$ 83,999.92	$ 83,999.92
	TRANSMISSION PLANT:		
	Land and Land Rights:		
(4)	Land	$ 27,449.07	$ 26,099.30
(5)	Land Rights (Lease Holds and Rights of Way)	230,621.81	247,859.43
(6)	Total Land and Land Rights	$ 258,070.88	$ 273,958.73
	Structures and Improvements:		
(7)	Compressor Station	$ 230,611.94	$ 434,329.42
(8)	Measuring and Regulating Station	35,590.80	50,474.45
(9)	Other Transmission System	33,392.72	38,729.46
(10)	Total Structure and Improvements	$ 299,595.46	$ 523,533.33
(11)	Compressor Station Equipment	$ 979,044.28	$ 1,810,612.35
(12)	Measuring and Regulating Station Equipment	105,162.50	126,223.06
(13)	Mains	8,044,905.93	9,410,160.74
(14)	Other Transmission System Equipment	-	121.09
(15)	Total Transmission Plant	$ 9,686,779.05	$12,144,609.30
	GENERAL PLANT:		
(16)	Office Furniture and Fixtures	$ 14,062.70	$ 16,179.21
(17)	Transportation Equipment	19,031.17	33,861.73
(18)	Stores Equipment	1,237.95	1,645.88
(19)	Tools and Work Equipment	7,324.77	13,430.51
(20)	Total General Plant	$ 41,656.59	65,117.33
(21)	TOTAL GAS PLANT CLASSIFIED	$ 9,812,435.56	$12,293,726.55
(22)	CONSTRUCTION WORK IN PROGRESS	-	109,157.73
(23)	TOTAL GAS PLANT	$ 9,812,435.56	$12,402,884.28

[fol. 14495]

Statement E

Michigan Gas Transmission Corporation

Showing summary of adjustments necessary to state, as of January 1, 1940, Account 100, Gas Plant, including all its subsidiary accounts, and Account 107, Gas Plant Adjustments, as prescribed in the Uniform System of Accounts.

	Account		Debit	Credit
	100.1	Gas Plant in Service	$9,670,811.83(2)	
(1)	100.6	Gas Plant in Process of Reclassification		$9,812,435.56
	107	Gas Plant Adjustments	141,623.73(3)	
			$9,812,435.56	$9,812,435.56

(1) This account not actually set up on reporting company's books but all plant accounts at January 1, 1940, were segregated in the records to give effect to the setting up of Account 100.6, Gas Plant in Process of Reclassification.

(2) Includes $1,934.46 of reclassifications developed or transferable to expense and other balance sheet accounts, which were not reclassified because no reaccounting items were considered in this reclassification.

(3) Classified to account 107 "Gas Plant Adjustments" for the reasons hereinbefore stated. In the opinion of the company this amount or a substantial portion thereof is properly includible in account 100 "Gas Plant".

Statement F

MICHIGAN GAS TRANSMISSION CORPORATION

Showing Gas Plant (balance sheet Account 100) as of January 1, 1940 and June 30, 1941 classified according to the accounts prescribed in the Uniform System of Accounts, effective on January 1, 1940 and showing also the amount includible in Account 107, Gas Plant Adjustments.

Account Number	Description of Account	ORIGINAL COST AS OF January 1, 1940	ORIGINAL COST AS OF June 30, 1941
	ACCOUNT 100.1-GAS PLANT IN SERVICE		
INTANGIBLE PLANT:			
301	Organization	$ 10,332.75	$ 10,332.75
303	Miscellaneous Intangible Plant	73,667.17	73,667.17
TRANSMISSION PLANT:			
351.1	Land	27,495.72	26,145.95
351.2	Land Rights	224,229.71	241,467.33
352.1	Pumping Station Structures	242,542.92	446,260.40
352.2	Measuring and Regulating Station Structures	33,682.85	48,566.50
352.3	Other Transmission System Structures	22,655.74	27,992.48
353	Mains	7,910,183.84	9,275,438.65
354.1	Pumping Station Equipment	980,935.64	1,812,503.71
354.2	Measuring and Regulating Station Equipment	104,765.46	125,826.02
354.3	Other Transmission System Equipment	-0-	121.09
GENERAL PLANT:			
372	Office Furniture and Equipment	12,763.25	14,879.76
373	Transportation Equipment	19,006.91	33,837.47
374	Stores Equipment	1,201.54	1,609.47
377	Tools and Work Equipment	7,348.33	13,454.07
	TOTAL ACCOUNT 100.1-GAS PLANT IN SERVICE	$9,670,811.83	$12,152,102.82
100.2	Gas Plant Leased to Others	-	-
100.3	Construction Work in Progress	-	109,157.73
100.4	Gas Plant Held for Future Use	-	-
100.5	Gas Plant Acquisition Adjustments	-	-
100.6	Gas Plant in Process of Reclassification	-	-
	TOTAL ACCOUNT 100-GAS PLANT	$9,670,811.83	$12,261,260.55
107	Gas Plant Adjustments	(2)141,623.73	(2)141,623.73
	TOTAL BOOK VALUE OF UTILITY PLANT	(1) $9,812,435.56	$12,402,884.28

(1) Includes $1,934.46 of reclassifications developed or transferable to expense and other balance sheet accounts, which were not reclassified because no reaccounting items were considered in this reclassification.

(2) Classified to account 107 "Gas Plant Adjustments" for the reasons hereinbefore stated. In the opinion of the company this amount or a substantial portion thereof is properly includible in account 100 "Gas Plant".

MICHIGAN GAS TRANSMISSION CORPORATION

Summary Statement of "Gas Plant" Account 100
as reclassified, by years, for period 1931 to June 30, 1941, inclusive.

			Net Constructed Property and other Additions		
			By Company and Predecessor Companies (A)	By Contractors (B)	Total (C)
(1)	Michigan Gas Transmission Corporation	6 mos. ended June 30, 1941	$ 2,906.39	$ -	$ 2,906.39
(2)		Year 1940	1,322,565.24	1,155,819.36	2,478,384.60
(3)		Year 1939	308,512.68	243,876.31	552,388.99
(4)		Year 1938	33,805.33	-	33,805.33
(5)		Year 1937	778,863.46	664,093.02	1,442,956.48
(6)		10 mos. ended Dec. 31, 1936	4,270,788.38	1,094,546.56	5,365,334.94
(7)		Total	$ 6,717,441.48	$ 3,158,335.25	$ 9,875,776.73
(8)	Indiana Gas Transmission Corporation	2 mos. ended Feb. 29, 1936	7,057.24	-	7,057.24
(9)		Year 1935	40,429.79	-	40,429.79
(10)		Year 1934	4,267.36	-	4,267.36
(11)		Year 1933	*(984.19)	-	*(984.19)
(12)		Year 1932	4,649.99	-	4,649.99
(13)		10 mos. ended Dec. 31, 1931	2,264.62	-	2,264.62
(14)		Total	$ 57,684.81	$ -	$ 57,684.81
(15)	The Ohio Fuel Gas Company	Year 1937	4,049.97	-	4,049.97
(16)		Year 1936	156.87	-	156.87
(17)		Year 1932	9,164.19	-	9,164.19
(18)		Year 1931	50,416.06	1,097,795.30 (1)	1,148,211.36
(19)		Total	$ 63,787.09	$ 1,097,795.30	$ 1,161,582.39
(20)	Indiana Gas Distribution Corporation	Year 1937	8,805.34	-	8,805.34
(21)	Panhandle Eastern Pipe Line Company	Year 1931	790,548.22	257,705.33	1,048,253.55
(22)	Total "Gas Plant", Account 100, as reclassified at June 30, 1941		$ 7,638,266.94	$ 4,513,835.88	$12,152,102.82 (2)(3)(4)

(1) Affiliated contractor
(2) Includes Ascertained overheads, which exclude contractors overheads not ascertainable on all mains constructed except mains originally built for The Ohio Fuel Gas Company, Panhandle Eastern Pipe Line Company and main extending from Ohio - Michigan State Line to Detroit city-gate:

Administrative and general expense	$ 76,764.76
Engineering and Supervision	200,569.39
Damages	211,162.34
Legal fees and expenses	50,413.99
Interest during construction	143,140.07
Taxes during construction	3,761.46
Non-affiliated contractors fees and overheads	418,293.48
Total	$ 1,104,105.49

(3) Includes $1,934.46 of reclassifications developed or transferable to expense and other balance sheet accounts, which were not reclassified because no reaccounting items were considered in this reclassification.

(4) Excludes $141,623.73 classified to account 107 "Gas Plant Adjustments" for the reasons hereinbefore stated. In the opinion of the company this amount or a substantial portion thereof is properly includible in account 100 "Gas Plant".

* ( ) Denotes red figure

Statement G 14498
4891

MICHIGAN GAS TRANSMISSION CORPORATION

Giving a comparative balance sheet, as of January 1, 1940, showing the accounts and amounts appearing in the books before the adjusting entries have been made and after such entries shall have been made,

ASSETS

		Before	After
100.1	Gas Plant in service	-	$ 9,670,811.83(1)
100.6	Gas Plant in process of reclassification	$ 9,812,435.56	-
107	Gas Plant adjustments	-	141,623.73(2)
	Total Utility Plant	$ 9,812,435.56	$ 9,812,435.56
112	Other Investments:		
	Loan to customer in aid of construction ($7,420.97 contra)	9,637.62	9,637.62
120	Cash	418,276.55	418,276.55
122	Working Funds (petty cash and advances)	5,110.00	5,110.00
125	Accounts Receivable	934,061.97	934,061.97
126.2	Receivables from Associated Companies	28,221.19	28,221.19
131	Materials and Supplies	54,075.65	54,075.65
132	Prepayments	3,744.93	3,744.93
142.2	Other Preliminary Survey and Investigation Charges	1,039.71	1,039.71
146	Other deferred debits		
	Deferred sales promotion expense	3,374.07	3,374.07
		$11,269,977.25	$11,269,977.25

LIABILITIES

		Before	After
200	Common Capital Stock - no par value	$ 2,240,000.00	$ 2,240,000.00
	Advances from Associated Companies:		
212.1	Advances on notes	5,900,500.00	5,900,500.00
212.2	Advances on open account	570,000.00	570,000.00
222	Accounts payable	775,231.23	775,231.23
223.2	Payables to Associated Companies	4,174.45	4,174.45
228	Taxes Accrued	226,833.22	226,833.22
230	Other current and accrued liabilities	19,960.89	19,960.89
242	Other deferred credits:		
	Contractual loan from Panhandle Eastern Pipe Line Company covering 77% of an advance to a customer and repayable from collections on said advance - contra	7,420.97	7,420.97
	Miscellaneous	2,456.11	2,456.11
250.1	Reserve for depreciation of Gas Plant	1,057,724.83	1,057,724.83
256	Injuries and damages reserve	7,216.15	7,216.15
258	Other Reserves:		
	Contingencies	90,001.98	90,001.98
265	Contributions in aid of Construction	5,592.96	5,592.96
270	Capital Surplus	166,162.76	166,162.76
271	Earned Surplus	196,701.70	196,701.70
		$11,269,977.25	$11,269,977.25

(1) Includes $1,934.46 of reclassifications developed or transferable to expense and other balance sheet accounts, which were not reclassified because no reaccounting items were considered in this reclassification.

(2) Classified to account 107 "Gas Plant Adjustments" for the reasons hereinbefore stated. In the opinion of the company this amount or a substantial portion thereof is properly includible in account 100 "Gas Plant".

Statement H.

[fol. 14499] Michigan Gas Transmission Corporation

Giving a suggested plan for depreciating, amortizing, or otherwise disposing in whole or in part of the amounts, as of January 1, 1940, includible in Account 100.5 Gas Plant Acquisition Adjustments, and Account 107, Gas Plant Adjustments.

No amounts are includible in Account 100.5 Gas Plant Acquisition Adjustments. No definite basis has presently been established by the Company for disposing of the amount classified in our report to Account 107 "Gas Plant Adjustments" for the reasons hereinbefore stated.

[fol. 14500]

Statement I

Michigan Gas Transmission Corporation

Statistical Information Relative to Gas Plant at June 30, 1941

Transmission Mains

Line No.	Description	Size	Length in Feet
A	From Illinois-Indiana State Line to outlet of Gate A-21 approximately 2,000' feet East of Zionsville Compressor Station	20"	370,006
		10"	5,963
AA	From Illinois-Indiana State Line to the Montezuma Compressor Station suction line	24"	49,711
		20"	25
		16"	4,458
		12"	43
AB	From Montezuma Compressor Station discharge line to line A approximately 272' West of block gate A-20 at Zionsville Compressor Station	24"	320,414
		20"	66
AC	From Line "A" to Montezuma Compressor Station suction line	20"	
AD	From Line "A" to Montezuma Compressor Station discharge line	20"	
AE	From Line "A" to Zionsville Compressor Station suction line	18"	
AF	From Line "A" to Zionsville Compressor Station discharge line	18"	
		20"	
		22"	

A-101	Line A to Dana Measuring Station	2"	224
A-102	Line A to Montezuma Measuring and Regulating Station	2"	316
A-103	Line A to Rockville Measuring and Regulating Station	2"	40
A-104	Line A to North Salem Measuring and Regulating Station	2"	894
[fol. 14501] A-105	Line A to Danville Measuring and Regulating Station	2"	78
A-106	Line A to Brownsburg Measuring and Regulating Station	2"	32
A-107	Line A to Lebanon Measuring and Regulating Station and to Public Service Company of Indiana Line	4"	70,016
		3"	5
A-108	Line "A" to Lafayette Line check measuring station and then to Public Service Company of Indiana Line A-501	6"	100,726
		4"	58
A-110	Line A to inlet of Pittsboro Measuring Station	2"	25
A-301	From terminus of A-501 to inlet of Lafayette Measuring Station and from Outlet to terminus of A-501	6"	33
A-302	From A-502 to inlet Williamsport-Attica Measuring Station and from outlet of station to A-502	6"	108
A-303	From A-108 to inlet Crawfordsville Measuring and Regulating Station and from outlet of station to line of Public Service Company of Indiana	6"	380
A-304	From A-108 at Regulating Station to inlet of Roachdale Measuring Station	2"	5
B	From Line "A" near gate valve #21 near Zionsville Compressor Station to King Measuring and Regulating Station	18"	274,400
		10"	566
B-101	From line B to inlet of Zionsville Measuring and Regulating Station	2"	286
[fol. 14502] B-102	From Line B to inlet of Carmel Measuring and Regulating Station	2"	49

B-103	From Line B to inlet of Pendleton Measuring and Regulating Station	3"	9
		2"	59
B-105	Line B to inlet of New Castle Measuring and Regulating Station	3"	27
		6"	17
B-301	Line B-103 to Lapel Regulating Station	2"	15
C	From suction line at Zionsville Compressor Station line AF to Ohio-Indiana State Line (Indiana section)	22"	569,800
		12"	5,669
C	From Ohio-Indiana State Line to Ohio-Michigan Line (Ohio section)	22"	353,500
		12"	3,394
C	From ~~Ohio~~-Michigan State Line to Detroit Measuring Station outlet (Michigan section)	22"	284,723
		12"	3,974
C-101	Line C to inlet of Fort Wayne Measuring Station and outlet of station to Northern Indiana Public Service Company Line	6"	67,470
C-102	Line G to inlet of Noblesville Measuring and Regulating Station	2"	166
C-103	Line C to inlet of Ann Arbor Measuring and Regulating Station	6"	5
		4"	80
C-104	Line C to inlet of Kokomo Regulating and Measuring Station and from outlet of station to Kokomo Gas Company line	6"	60,493
C-105	Line C to inlet of Bluffton Measuring and Regulating Station	2"	2,864
[fol. 14503] C-106	Line C to inlet of Decatur Regulating and Measuring Station	2"	55
C-107	Line C to inlet of Fairmount Measuring and Regulating Station and from outlet of station to Central Indiana Gas Company Line	6"	20
		4"	73
C-108	Line C to inlet of Wauseon Measuring and Regulating Station	4"	10
		3"	120
C-109	Line C to inlet of Paulding Measuring and Regulating Station	2"	78

C-110	From Line C to 3" line of the Toledo Edison Company	3"	10
C-501	From Toledo Edison Company line to inlet of Defiance Measuring and Regulating Station and from outlet of station to Toledo Edison Company line	3"	20
		2"	20
C-301	From Kokomo Regulating Station to inlet of Tipton Measuring and Regulating Station	2"	30

Statement I
(Continued)

Transmission Plant - Compressor Station

NAME OF PLANT: Montezuma Compressor Station

LOCATION OF PLANT: 1 mile Northeast of Montezuma, Indiana

DATE OF ORIGINAL CONSTRUCTION:

Original Installation	November 19, 1936
1st Additional Installation	September 15, 1937
2nd Additional Installation	October 21, 1940
3rd Additional Installation	November 8, 1940

TYPE AND RATED CAPACITY OF POWER UNITS:

Original Installation	2 units -	Worthington 24" x 36", 1300 BHP, 125 RPM, normal speed, horizontal, twin tandem, double acting, gas engines
1st Addition	2 units	Do
2nd Addition	1 unit	Do
3rd Addition	1 unit	Do

TYPE AND RATED CAPACITY OF COMPRESSOR UNITS:

Original Installation	4 units -	15" x 36" Worthington feather valve type, designed for 500#/square inch with two pocket unloaders. Cylinders designed for 14" to 18" range and fitted with 3 valves per corner
1st Addition	4 units	Do
2nd Addition	4 units	Do

ORIGINAL COST AT JUNE 30, 1941:

Account No.	Account Title	Amount
351.1	Land	$ 6,040.93
352.1	Pumping Station Structures	161,806.56
354.1	Pumping Station Equipment	702,837.64
	Total	$870,685.13

Statement I
(Continued)

NAME OF PLANT: Zionsville Compressor Station

LOCATION OF PLANT: 1 mile South of Zionsville, Indiana

DATE OF ORIGINAL CONSTRUCTION:

Original Installation	October 14, 1937
1st Addition	August 8, 1940

TYPE AND RATED CAPACITY OF POWER UNITS:

Original Installation	4 units - 24" x 36", 1300 BHP, 125 RPM normal speed, horizontal, twin tandem, double acting Worthington gas engines.
1st Addition	1 unit - Do

TYPE AND RATED CAPACITY OF COMPRESSOR UNITS:

Original Installation	8 units - 13-1/8" x 36" Worthington feather valve type, gas compressor cylinders, designed for 800#/sq. in. working pressure and provided with 2 pocket unloaders. Designed for range of 11-1/2" to 13-1/8" diameter and fitted with 3 valves per corner.
1st Addition	2 units - Do

ORIGINAL COST AT JUNE 30, 1941:

Account No.	Account Title	Amount
351.1	Land	$ 15,216.80
352.1	Pumping Station Structures	156,690.19
354.1	Pumping Station Equipment	634,786.44
	Total	$806,693.43

NAME OF PLANT:	Edgerton Compressor Station
LOCATION OF PLANT:	2 miles South of Edgerton, Indiana
DATE OF ORIGINAL CONSTRUCTION:	
Original Installation	December 16, 1940
TYPE AND RATED CAPACITY OF POWER UNITS:	
Original Installation	3 units - 24" x 36" Cooper-Bessemer, 1300 BHP, 125 RPM, Type 24, horizontal, twin tandem, double acting gas engines
TYPE AND RATED CAPACITY OF COMPRESSOR UNITS:	
Original Installation	6 units - 13-1/4" x 36" Cooper-Bessemer Compressor cylinders, designed for 600#/ sq. in. working pressure and equipped with two pocket unloaders.

ORIGINAL COST AT JUNE 30, 1941:

Account No.	Account Title	Amount
351.1	Land	$ 3,005.16
352.1	Pumping Station Structures	127,763.65
354.1	Pumping Station Equipment	474,602.95
	Total	$605,371.76

[fol. 14507]

Exhibit 92

Michigan Gas Transmission Corporation

Original Cost Depreciated to Present Condition as at June 30, 1941
and Observed Depreciation as at June 30, 1941

	Original cost	(a) Percent condition as established By Messrs. Riddle, Lehn, and Haberly	Original Cost depreciated to present condition	Observed depreciation
Intangible Plant:				
Organization	$ 10,332.75	100.00	$ 10,332.75	$ —
Miscellaneous intangible plant	73,667.17	100.00	73,667.17	—
Transmission Plant:				
Land	26,145.95	100.00	26,145.95	—
Land rights	241,467.33	100.00	241,467.33	—
Pumping station structures	446,260.40	96.38	430,105.77	16,154.63
Measuring and regulating station structures	48,566.50	94.72	46,002.19	2,564.31
Other transmission system structures	27,992.48	93.22	26,094.59	1,897.89
Mains	9,275,438.65	97.79	9,070,451.46	204,987.19
Pumping station equipment	1,812,503.71	96.72	1,753,053.59	59,450.12
Measuring and regulating station equipment	125,826.02	92.77	116,728.80	9,097.22
Other transmission system equipment	121.09	98.00	118.67	2.42
General Plant:				
Office furniture and equipment	14,879.76	78.00	11,606.21	3,273.55
Transportation equipment	33,837.47	71.00	24,024.60	9,812.87
Stores equipment	1,609.47	90.00	1,448.52	160.95
Tools and work equipment	13,454.07	79.00	10,628.72	2,825.35
Construction Work In Progress	109,157.73	100.00	109,157.73	—
Total	$12,261,260.55	97.47	$11,951,034.05	$310,226.50

(a) Percent condition shown in Exhibits 80, 81, and 82, as summarized and applied to reproduction new value of "Gas Plant" by Francis S. Haberly, Engineer, in his Exhibit 84. Such percent condition was developed and weighted on the basis of the reproduction cost of the "Gas Plant". If such percent condition had been weighted on the basis of original cost, the resulting percent condition of the property would have been slightly higher than the amount shown in this statement.

Exhibit 93
Page No. 1
Contributions to Customers
Witness - Spitznagle

MICHIGAN GAS TRANSMISSION CORPORATION

Statement of Contributions made to Customers for Business Development
For the Years 1936, 1937 and Five Months Ended May 31, 1938
(effective date of Natural Gas Act June 21, 1938)

	Periods in which charges were made against income			
	Year Ended December 31, 1936	Year Ended December 31, 1937	Five Months Ended May 31, 1938	Total
Detroit City Gas Company				
1. Contractual Discount allowed per provisions of Article VII of Gas Contract dated March 17, 1936	$ -	$43,560.00	$ -	$43,560.00
2. Allowance for househeating customers per provisions of Article IV of Supplemental Gas Contract dated June 2, 1936. (18,000 customers - 5,000 at $10.00 ea., 4,000 at $8.00 ea., 3,000 at $6.00 ea., 3,000 at $4.00 ea., 3,000 at $2.00 ea.)	11,251.15	7,794.47	614.20	19,659.82
Kokomo Gas and Fuel Company				
1. Contractual Discounts allowed on basis of gas deliveries per provisions of Article XVII of Gas Contract dated September 27, 1937	-	2,374.98	3,233.22	5,608.20
2. Allowance for conversion costs per Exhibit "C" of Gas Contract dated September 27, 1937. (4,939 customers at $1.50 ea.)	-	617.37	1,790.45	2,407.82
Public Service Company of Indiana				
1. Conversion cost per provisions of Article XVII of agreement dated October 1, 1936, covering customers in New Castle, Indiana (2,789 customers at $1.50 ea.)	-	$ 4,183.50	-	$ 4,183.50
2. Contribution per provisions of agreement dated June 29, 1937 covering changeover of facilities of Ingersoll Steel and Disc Division of Borg-Warner Corporation	-	39.35	135.41	174.76
3. Contribution per provision of agreement dated May 4, 1937 covering addition of facilities of Ingram Richardson Manufacturing Company	-	4,140.00	-	4,140.00
4. Contractual discounts allowed per provisions of Article XVII of Gas Contract dated October 1, 1936	-	27,095.81	16,636.85	43,732.66
5. Allowance for conversion costs per provisions of Article XVII of Gas Contract dated October 1, 1936 (15,870 customers at $1.50 each)	-	10,609.13	1,983.75	12,592.88

Exhibit 93
Page No. 2
Contributions to
Customers

MICHIGAN GAS TRANSMISSION CORPORATION

Statement of contributions made to customers for Business Development
For the Years 1936, 1937 and Five Months Ended May 31, 1938.

	Periods in which charges were made against Income			
	Year Ended December 31,		Five Months Ended	
	1936	1937	May 31, 1938	Total
Northern Indiana Public Service Company				
1. Contractual discount allowed per provisions of Article XVII of Gas Contract dated May 1, 1937	-	$ 15,416.68	$ 15,285.29	$ 30,701.97
2. Allowance for conversion costs per provision of Gas Contract (Exhibit "C") dated May 1, 1937 (28,944 customers at $1.50 each)	-	7,236.00	8,629.08	15,865.08
Total	$ 11,251.15	$123,067.29	$ 48,308.25	$182,626.69

[fol. 14510] Exhibit 94.

No. of Pages—7

Page No. 1

Witness—Spitznagle

Michigan Gas Transmission Corporation

Working Capital as at June 30, 1941

The following constitutes the reasonable amount of working capital employed and currently needed in the conduct of the business which would be deprived of any return unless included in the rate base.

Cash fund operating expenses, based on monthly average of pro forma operating expenses, excluding purchased gas, taxes, prepayments and depreciation and amortization and using 45 days (average period, in days, expense is paid before it is repaid by customer), from Page No. 2	$ 47,175.05
Materials and supplies, based on actual material and supplies on hand at June 30, 1941, per books, plus estimated amount of increase therein resulting from change in price trends to June 30, 1941, from Page No. 3	100,723.78
Purchased gas cost for line pack after deducting any portion of such cost capitalized, based upon average for twelve months ended June 30, 1941, from Page No. 4	31,406.70
Prepayments consisting of average of amounts applicable to subsequent periods as recorded on balance sheets during the twelve months ended June 30, 1941, from Page No. 6	4,538.55
Minimum bank balances required to support check privileges, based upon advice received from depositories, from Pages No. 5 and 7	116,303.00
Total Working Capital	$300,147.08

MICHIGAN GAS TRANSMISSION CORPORATION

Cash Funds For Operating Expenses

	1940 July	August	September	October	November	December
Operation, Exclusive of Purchased Gas	$25,164.79	$25,110.32	$22,580.12	$23,512.38	$25,676.84	$*(4,043.54)
Purchased Gas	190,370.17	218,146.47	217,871.18	251,194.28	238,983.05	235,287.11
Maintenance	6,093.09	8,341.02	5,488.00	3,602.59	3,336.83	4,556.73
Taxes - State and Local	12,528.28	12,608.37	11,095.98	12,477.69	17,128.59	4,399.42
- Federal	7,286.12	6,017.79	142,517.92	16,119.15	19,571.22	49,187.31
Depreciation or Amortization	18,444.31	20,493.68	22,250.28	26,349.02	27,812.85	31,033.29
Total Operating Expenses	$259,886.76	$290,717.65	$421,803.48	$333,255.11	$332,514.38	$320,420.32
Exclusions:						
Purchased Gas, ~~Schedule~~	$190,370.17	$218,146.47	$217,871.18	$251,194.28	$238,988.05	$235,287.11
Taxes, ~~Schedule~~	19,814.40	18,626.16	153,613.90	28,596.84	36,699.81	53,586.73
Prepayments Included in Operation and Maintenance, ~~Schedule~~	685.84	740.85	722.59	965.37	636.19	645.84
Depreciation or Amortization	18,444.31	20,493.68	22,250.28	26,349.02	27,812.85	31,033.29
Total Exclusions	$229,314.72	$258,007.16	$394,457.95	$307,105.51	$304,136.90	$320,552.97
Net for Cash Fund Computation	$30,572.04	$32,710.49	$27,345.53	$26,149.60	$28,377.48	$* (132.65)
Pro Forma Adjustments:						
Overall Wage Increase						
Estimated Increase in Operation and Maintenance Costs Resulting Upon the Completion of Construction Work in Progress						
Pro Forma Net for Cash Fund Computation						
Cash Fund Operating Expenses: (Net for Cash Fund Computation Times Ratio of Average Period in Days Said Expenses Were Paid Before Repaid by Customers, to Period of 30 Days)	$30,572.04 x 45/30 $45,858.06	$32,710.49 x 45/30 $49,065.74	$27,345.53 x 45/30 $41,018.30	$26,149.60 x 45/30 $39,224.40	$28,377.48 x 45/30 $42,566.22	$* (132.65) x 45/30 $* (198.98)

	January	February	March
Operation, Exclusive of Purchased Gas	$33,661.10	$30,790.04	$31,398.
Purchased Gas	261,859.11	257,975.77	281,959.
Maintenance	3,402.51	2,978.28	5,575.
Taxes - State and Local	12,931.42	12,932.16	12,961.
- Federal	35,679.89	12,017.48	24,443.
Depreciation or Amortization	38,508.13	33,781.78	34,840.
Total Operating Expenses	$386,042.16	$350,475.51	$391,177.
Exclusions:			
Purchased Gas, ~~Schedule~~	$261,859.11	$257,975.77	$281,959.
Taxes, ~~Schedule~~	48,611.31	24,949.64	37,404.
Prepayments Included in Operation and Maintenance, ~~Schedule~~	772.56	693.28	812.
Depreciation or Amortization	38,508.13	33,781.78	34,840.
Total Exclusions	$349,751.11	$317,400.47	$355,016.
Net for Cash Fund Computation	$36,291.05	$33,075.04	$36,160.
Pro Forma Adjustments:			
Overall Wage Increase			
Estimated Increase in Operation and Maintenance Costs Resulting Upon the Completion of Construction Work in Progress			
Pro Forma Net for Cash Fund Computation			
Cash Fund Operating Expenses: (Net for Cash Fund Computation Times Ratio of Average Period in Days Said Expenses Were Paid Before Repaid by Customers, to Period of 30 Days)	$36,291.05 x 45/30 $54,436.58	$33,075.04 x 45/30 $49,612.56	$36,160. x 45/ $54,241.

*( ) denotes red figures

RATION

enses

1941 January	February	March	April	May	June	Total and Pro Forma for the Year Ended June 30, 1941	Monthly Average of Total and Pro Forma
$33,661.10	$30,790.04	$31,398.28	$31,210.99	$27,915.47	$28,309.19	$301,285.98	$25,107.17
261,859.11	257,975.77	281,959.06	251,200.36	251,089.44	239,805.88	2,895,746.88	241,312.24
3,402.51	2,978.28	5,575.20	5,046.97	4,389.57	4,399.73	57,210.52	4,767.54
12,931.42	12,932.16	12,961.09	12,956.05	12,901.01	11,392.34	146,312.40	12,192.70
35,679.89	12,017.48	24,443.10	24,004.56	25,025.47	32,048.20	393,918.21	32,826.52
38,508.13	33,781.78	34,840.69	30,073.01	27,872.55	23,104.88	334,564.47	27,880.37
$386,042.16	$350,475.51	$391,177.42	$354,491.94	$349,193.51	$339,060.22	$4,129,038.46	$344,086.54
$261,859.11	$257,975.77	$281,959.06	$251,200.36	$251,089.44	$239,805.88	$2,895,746.88	$241,312.24
48,611.31	24,949.64	37,404.19	36,960.61	37,926.48	43,440.54	540,230.61	45,019.22
772.56	693.28	812.76	721.13	865.88	932.91	9,195.20	766.27
38,508.13	33,781.78	34,840.69	30,073.01	27,872.55	23,104.88	334,564.47	27,880.37
$349,751.11	$317,400.47	$355,016.70	$318,955.11	$317,754.35	$307,284.21	$3,779,737.16	$314,978.10
$36,291.05	$33,075.04	$36,160.72	$35,536.83	$31,439.16	$31,776.01	$349,301.30	$29,108.44
						22,099.00	1,841.59
						6,000.00	500.00
						377,400.30	31,450.03
$36,291.05	$33,075.04	$36,160.72	$35,536.83	$31,439.16	$31,776.01		$31,450.03
x 45/30	x 45/30	x 45/30	x 45/30	x 45/30	x 45/30		x 45/30
$54,436.58	$49,612.56	$54,241.08	$53,305.25	$47,158.74	$47,664.02		$47,175.05

Exhibit. 94

Page No. 3

MICHIGAN GAS TRANSMISSION CORPORATION

Statement of Materials and Supplies, by Months, for Twelve and Eighteen Months Ended June 30, 1941

		Amount on hand at end of month, per books (A)	Estimated amount of increase resulting from change in price trends to June 30, 1941 (B)	Total (C)
(1)	Average for eighteen months ended June 30, 1941	$ 70,611.77	$ 6,810.83	$ 77,422.60
(2)	Average for twelve months ended June 30, 1941	74,763.73	7,182.58	81,946.31
(3)	1940 - January	58,959.83	5,626.00	64,585.83
(4)	February	60,840.16	5,804.00	66,644.16
(5)	March	60,720.57	5,804.00	66,524.57
(6)	April	64,485.87	5,804.00	70,289.87
(7)	May	63,959.30	6,586.00	70,545.30
(8)	June	64,881.32	6,780.00	71,661.32
(9)	July	62,603.25	6,902.00	69,505.25
(10)	August	62,643.64	6,902.00	69,545.64
(11)	September	63,320.01	6,902.00	70,222.01
(12)	October	62,866.09	7,210.00	70,076.09
(13)	November	62,853.21	7,210.00	70,063.21
(14)	December	78,172.35	7,255.00	85,427.35
(15)	1941 - January	78,226.71	7,255.00	85,481.71
(16)	February	79,343.45	7,311.00	86,654.45
(17)	March	80,518.97	7,311.00	87,829.97
(18)	April	83,297.44	7,311.00	90,608.44
(19)	May	89,906.87	7,311.00	97,217.87
(20)	June	93,412.78	7,311.00	100,723.78

[fol. 14513]

Page No. 4

Exhibit 94

Michigan Gas Transmission Corporation

Statement of Gas Line Pack, by Months, for Twelve Months Ended June 30, 1941

	Quantity of Gas in Line Pack at end of Month (Therms)	Cost Per Therm—¢	Aggregate Cost of Gas Line Pack at end of Month	Cost of Gas Line Pack Charged to "Gas Plant"	Cost of Gas Line Pack Not Capitalized
Average for twelve months ended June 30, 1941	1,592,838	2.378	$37,883.15	$6,476.45	$31,406.70
1940 — July	1,240,639	2.480	30,767.85	6,476.45	24,291.40
August	1,399,780	2.373	33,216.78	6,476.45	26,740.33
September	1,272,970	2.311	29,418.34	6,476.45	22,941.89
October	1,563,547	2.306	36,055.39	6,476.45	29,578.94
November	1,822,328	2.374	43,262.07	6,476.45	36,785.62
December	1,789,760	2.371	42,435.21	6,476.45	35,958.76
1941 — January	1,754,994	2.371	41,610.91	6,476.45	35,134.46
February	1,705,762	2.446	41,722.94	6,476.45	35,246.49
March	1,685,141	2.328	39,230.08	6,476.45	32,753.63
April	1,723,623	2.423	41,763.39	6,476.45	35,286.94
May	1,646,910	2.379	39,179.99	6,476.45	32,703.54
June	1,508,602	2.382	35,934.90	6,476.45	29,458.45

[fol. 14514] Exhibit 94.

Page No. 5.

National Bank of Detroit

Detroit, Michigan

Elbert S. Burns

September 30, 1941

Mr. George S. Young, Vice President
Michigan Gas Transmission Corporation
1316 United Artists Building
Detroit, Michigan

Dear Mr. Young:

In compliance with your request that we furnish your office with the aggregate gross deposits which it will be necessary for you to maintain in our bank, to maintain the accounts which you carry on our books in a manner satisfactory to us, we are pleased to advise you as follows:

Upon making our standard analysis based on the average activity in all accounts for the first eight months of 1941 and taking into account the increased reserve requirements which will be effective as of November 1, 1941, as well as the matter of our customary nominal profit we find that we will require \$116,303.00 aggregate gross balances to maintain the accounts under the same conditions as we experienced the first eight months of this year.

This figure will, of course, be subject to adjustment from time to time as the activity varies for quarterly or semi-annual periods.

We trust this meets fully with your request.

Very truly yours,

ELBERT S. BURNS, (signed)
Cashier.

ESB:GMc

MICHIGAN GAS TRANSMISSION CORPORATION

Statement of Prepayments, by Months
For Twelve Months Ended June 30, 1941

	Average For Twelve Months Ended June 30, 1941	1940 July	August	September	October	November	
Insurance:							
Automobile Fire and Theft	$ 49.03	$ 73.01	$ 68.65	$ 64.29	$ 59.93	$ 55.57	
Automobile Public Liability and Property Damage	70.74	141.36	123.69	106.02	88.35	70.68	
Boiler	120.30	--	--	--	57.19	55.86	
Robbery and Safe Burglary	12.53	5.74	4.92	4.10	3.28	2.46	
Fidelity Bond	21.86	14.44	10.83	7.22	3.61	--	
Fire - Compressor Stations	971.88	546.54	511.28	476.02	440.76	405.50	
Fire - Miscellaneous Properties	23.79	42.09	40.26	38.43	36.60	34.77	
Forgery	6.30	7.86	8.46	7.96	7.51	7.06	
Group Life	540.30	--	--	--	1,440.80	1,260.70	1
General Excess Public Liability & Property Damage	436.35	927.63	795.24	651.92	407.44	251.85	
Riot and Malicious Damage	66.66	155.30	138.42	121.54	104.66	87.78	
Workmens' Compensation	344.55	484.24	236.80	30.56	--	--	
Taxes:							
Property - Michigan	213.02	621.88	520.45	413.37	306.29	199.21	
Automobile and Truck Lincenses	437.73	394.09	374.20	297.00	219.83	142.66	
Rentals	993.23	1,202.85	1,111.95	1,017.62	905.45	804.19	
Dues and Memberships	141.43	230.54	166.97	103.40	195.77	138.26	
Other Prepayments	88.85	--	--	--	--	--	
Total Prepayments	$4,538.55	$4,847.57	$4,112.12	$3,339.45	$4,277.47	$3,516.55	$3

Exhibit 94
Page No. 6
Prepayments

RATION

Months

0, 1941

tober	November	December	January	February	March	April	May	June
			1941					
59.93	$ 55.57	$ 51.21	$ 46.85	$ 42.49	$ 38.13	$ 33.77	$ 29.41	$ 25.05
88.35	70.68	53.01	35.34	17.67	--	--	--	212.76
57.19	55.86	54.53	53.20	51.87	304.76	296.74	288.72	280.70
3.28	2.46	20.14	19.61	19.08	18.55	18.02	17.49	16.96
3.61	--	44.44	40.40	36.36	32.32	28.28	24.24	20.20
40.76	405.50	370.24	334.98	299.72	2,172.87	2,103.89	2,034.91	1,965.93
36.60	34.77	32.94	31.11	29.28	--	--	--	--
7.51	7.06	6.61	6.16	5.71	5.26	4.81	4.36	3.91
40.80	1,260.70	1,080.60	900.50	720.40	540.30	360.20	180.10	--
07.44	251.85	78.15	6.60	5.40	4.20	3.00	1,121.88	982.83
04.66	87.78	70.90	54.02	37.14	23.64	6.50	--	--
--	--	--	1,045.16	858.76	666.77	467.03	268.83	76.53
506.29	199.21	126.94	108.20	89.46	70.72	51.98	33.24	14.50
219.83	142.66	531.68	460.84	699.80	629.10	565.14	501.18	437.22
05.45	804.19	729.77	589.68	522.79	418.40	1,245.45	1,671.64	1,698.93
95.77	138.26	73.49	199.84	122.01	49.18	132.83	174.56	110.29
--	--	--	222.75	202.50	182.25	162.00	141.75	154.95
77.47	$3,516.55	$3,324.65	$4,155.24	$3,760.44	$5,156.45	$5,479.64	$6,492.31	$6,000.76

MICHIGAN GAST TRANSMISSION CORPORATION

Statement of Cash in Banks and on Hand
By Months for Twelve Months Ended June 30, 1941

		1940						
	Average (A)	July (B)	August (C)	September (D)	October (E)	November (F)	December (G)	January (H)
National Bank of Detroit								
Accounts maintained:								
General account								
Disbursement account								
Paymaster account								
Office payroll account								
Six special accounts under agency transportation agreements with Panhandle Eastern Pipe Line Company:								
Eight petty cash accounts for system cashiers located at various points in the system:								
(1) Total balance of all of the above accounts at end of month	$471,214.49	$574,893.33	$ 690,486.92	$372,494.96	$255,207.12	$403,646.38	$401,286.58	$424,374.2
(2) Total minimum requirement(1)	116,303.00	116,303.00	116,303.00	116,303.00	116,303.00	116,303.00	116,303.00	116,303.0
Irving Trust Company, New York City								
General account:								
(3) Balance at end of month	304,500.00	260,000.00	310,000.00	310,000.00	310,000.00	160,000.00	560,000.00	560,000.0
(4) Minimum requirement(2)	-	-	-	-	-	-	-	-
(5) Petty cash fund kept at Detroit office by Mr. L. J. Mueller, Asst. Treasurer	700.00	700.00	700.00	700.00	700.00	700.00	700.00	700.0
Total:								
(6) Cash in bank and on hand at end of month	776,414.49	835,593.33	1,001,186.92	683,194.96	565,907.12	564,346.38	961,986.58	985,074.2
(7) Minimum requirement(1)(2)	116,303.00	116,303.00	116,303.00	116,303.00	116,303.00	116,303.00	116,303.00	116,303.0

(1) On advice of National Bank of Detroit as per their letter of September 30, 1941.
(2) Account not active and while some minimum balance is required, none is claimed in the instant cause.

Exhibit 94
Page 7
Cash in Banks and on Hand

14516

:SSION CORPORATION

Banks and on Hand
; Ended June 30, 1941

		1941					
ovember (F)	December (G)	January (H)	February (I)	March (J)	April (K)	May (L)	June (M)
3,646.38	$401,286.58	$424,374.22	$ 511,358.81	$495,459.76	$543,481.89	$629,712.08	$352,171.83
6,303.00	116,303.00	116,303.00	116,303.00	116,303.00	116,303.00	116,303.00	116,303.00
0,000.00	560,000.00	560,000.00	560,000.00	156,000.00	156,000.00	156,000.00	156,000.00
-	-	-	-	-	-	-	-
700.00	700.00	700.00	700.00	700.00	700.00	700.00	700.00
4,346.38	961,986.58	985,074.22	1,072,058.81	652,159.76	700,181.89	786,412.08	508,871.83
6,303.00	116,303.00	116,303.00	116,303.00	116,303.00	116,303.00	116,303.00	116,303.00

instant cause.

Exhibit 95
No. of Pages - 1
Page No. 1
Witness-Young

MICHIGAN GAS TRANSMISSION CORPORATION

Estimated Cost of Completing Work in Progress at June 30, 1941 and Estimated Gross Income to be Derived from the Completed Projects

Line No.	Description of Project (A)	Total estimated project expenditure (B)	Construction work in progress (C)	Estimated amount required to complete construction work in progress (D)	Estimated gross operating income before depreciation and Federal income tax, to be derived from completed projects (E)
1	Routine minor additions to transmission				
2	system property	$ 27,057	$ 4,877	$ 22,180	$ *(270)
3	Routine minor additions to general				
4	property	4,869	1,244	3,625	- (a)
5	Expenditures applicable to 24" Loop Line				
6	construction in 1940, recorded on				
7	the books in 1941	75,174	60,174	15,000	*(750) (b)
8	Expenditures applicable to construction of				
9	Edgerton Compressor Station in				
10	1940, recorded on the books in 1941	25,271	24,921	350	*(210) (b)
11	Construction of Central Warehouse near				
12	Bluffton, Indiana	28,272	1,272	27,000	*(295)
13	Construction of Measuring and Regulating				
14	Station near Monroe, Michigan	4,793	468	4,325	6,875
15	Construction of Measuring and Regulating				
16	Station near Elwood, Indiana	4,167	160	4,007	*(540)
17	Installation of two additional units at				
18	Edgerton Compressor Station	285,550	16,042	269,508	*(6,935)
19	Total	$ 455,153	$ 109,158	$ 345,995	*(2,125)

* ( ) Denotes red figure

(a) - The routine minor additions to general property represent mainly office furniture and equipment. No additional operating expenses are expected to be incurred on account of these additions and the amount of depreciation and taxes applicable thereto are negligible.

(b) - The 24" loop line and the Edgerton compressor station were placed in service on November 1, 1940 and December 16, 1940, respectively, and revenues and expenses resulting from their operation subsequent to such dates are reflected in the gross operating income for twelve months ended June 30, 1941.

* * * * * * * *

[fol. 14519] Exhibit 97.

Michigan Gas Transmission Corporation

Variation in Purchase Power of Dollar As Related To "Gas Plant"

Francis S. Haberly
Consulting Engineer
Chicago

[fol. 14520] Michigan Gas Transmission Corporation

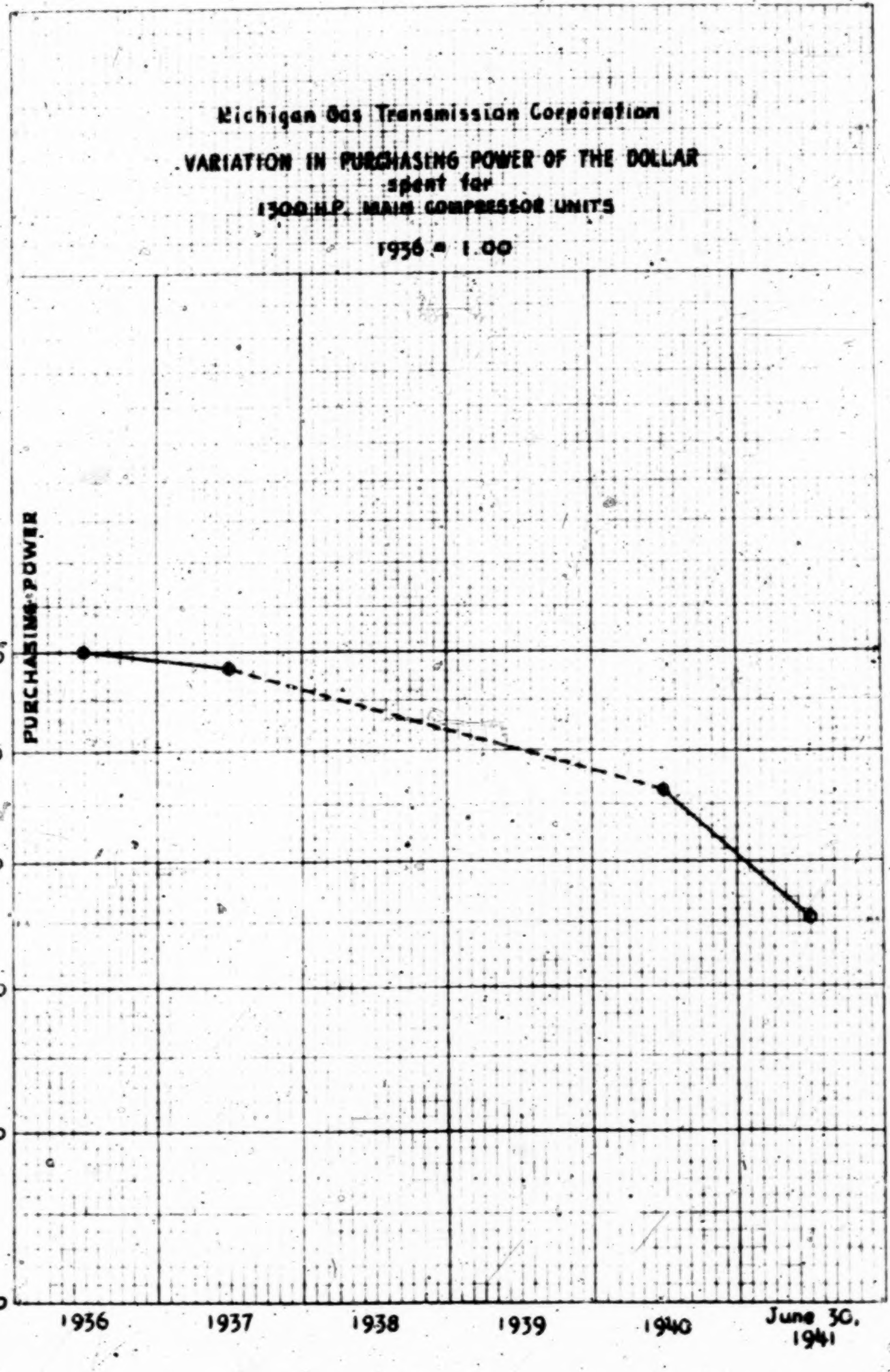
Variation In Purchasing Power Of Dollar As Related To "Gas Plant"

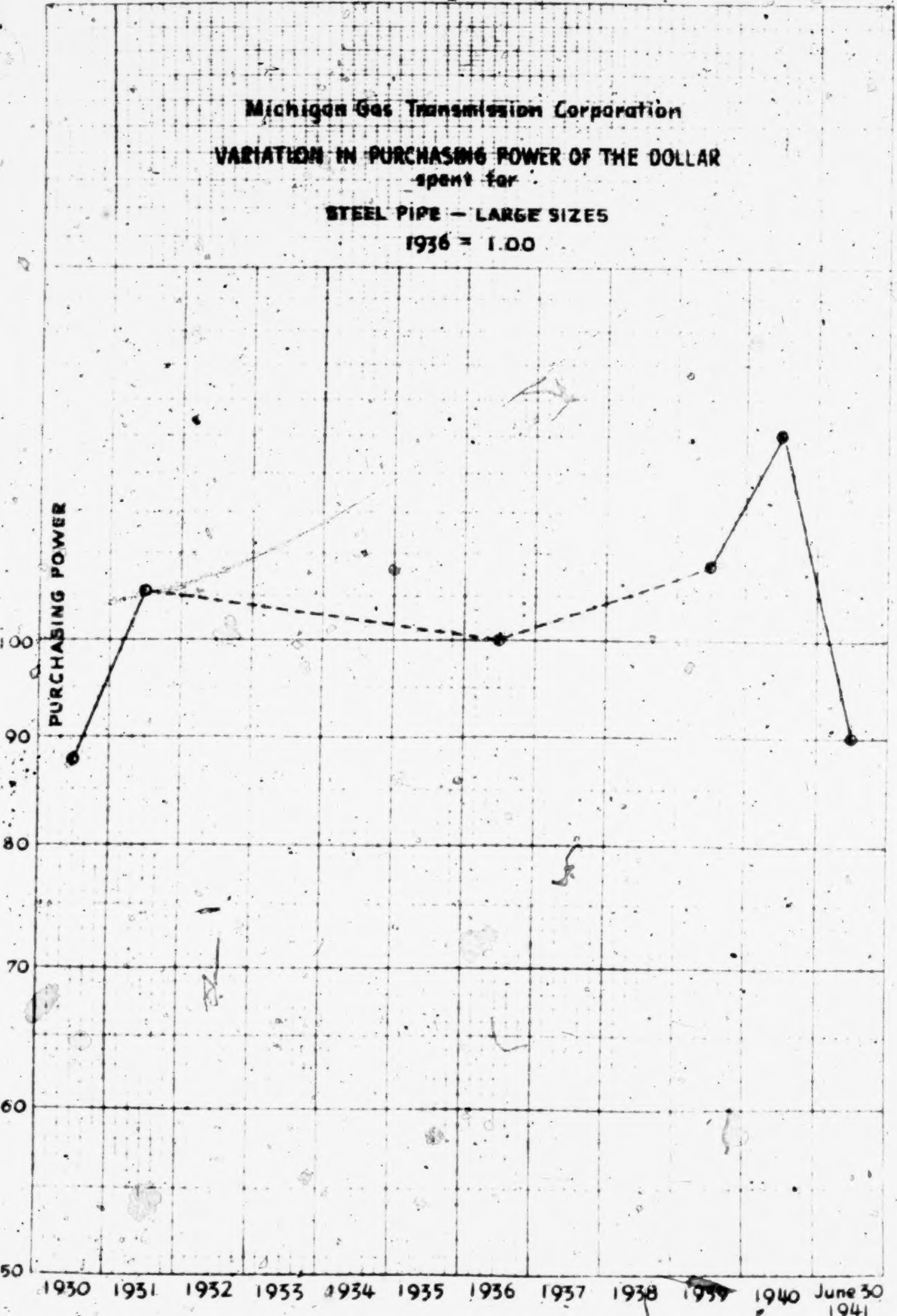
The attached charts show the yearly variation in purchasing power of the dollar as spent for construction of certain important parts of the plant and property of the Michigan Gas Transmission Corporation. The tabulation following the charts shows numerically the same data as shown on the charts, plus the numerical data covering variation in purchasing power of the dollar with regard to several other parts of the property.

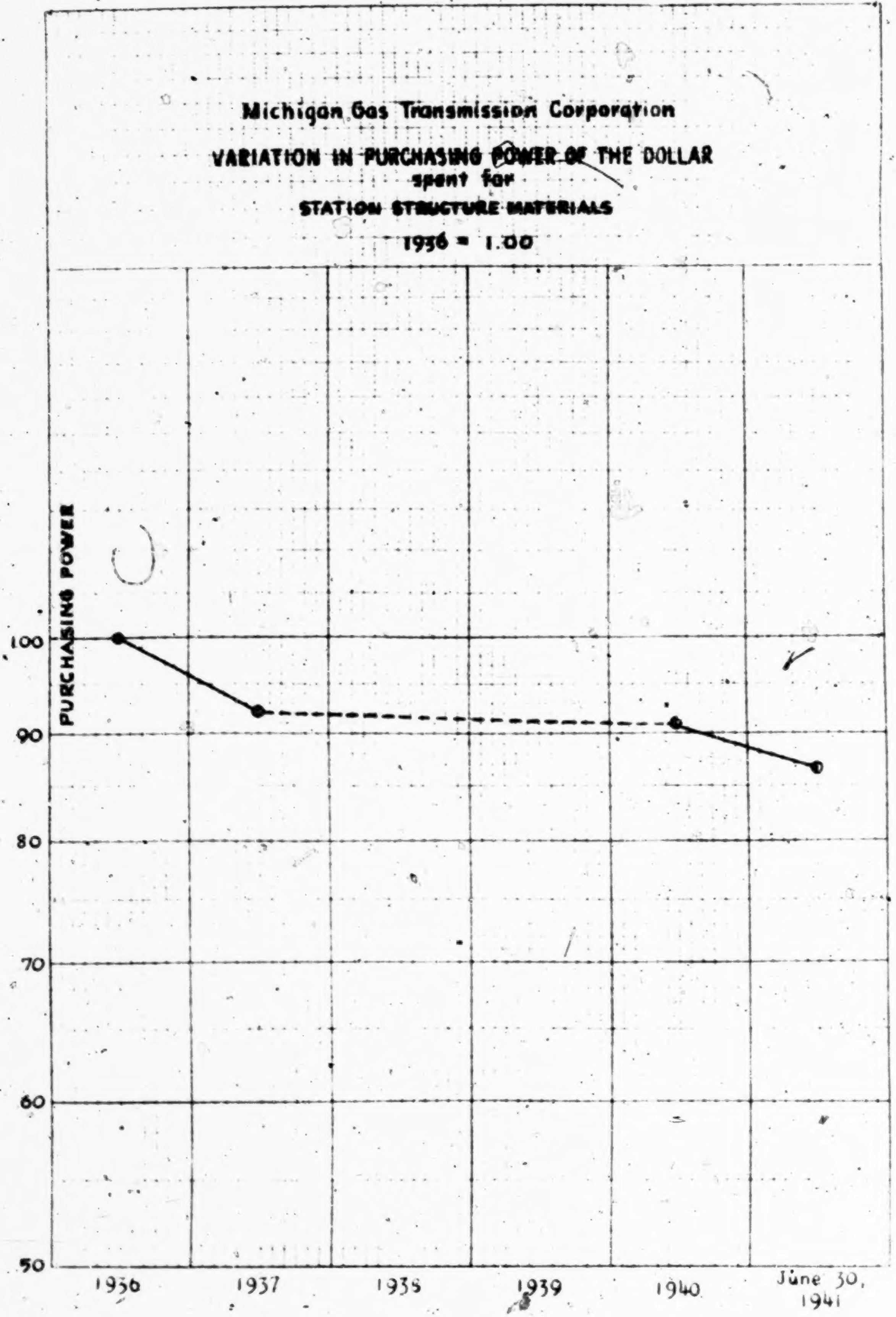
While a small part of the mains were constructed in 1930 and 1931, the present company was formed in 1935, and construction on a broad scale started in 1936. For this reason, the year 1936 has been taken as 1.00. The figures for other years express the relative purchasing power of the dollar as compared with 1936. For example, in the first column, headed "1300 hp. Main Compressor Units," the figures express the purchasing power of the dollar relative to 1936 as experienced in the purchase of equipment of this type by the Michigan Gas Transmission Corporation. Likewise, the figures in the succeeding columns express the purchasing power of the dollar relative to 1936 as experienced in the purchase or construction of other items of property.

The last column on this tabulation, headed "Composite of Total 'Gas Plant' ", represents the variation in the purchasing power of the dollar as spent for all the property constructed each year.

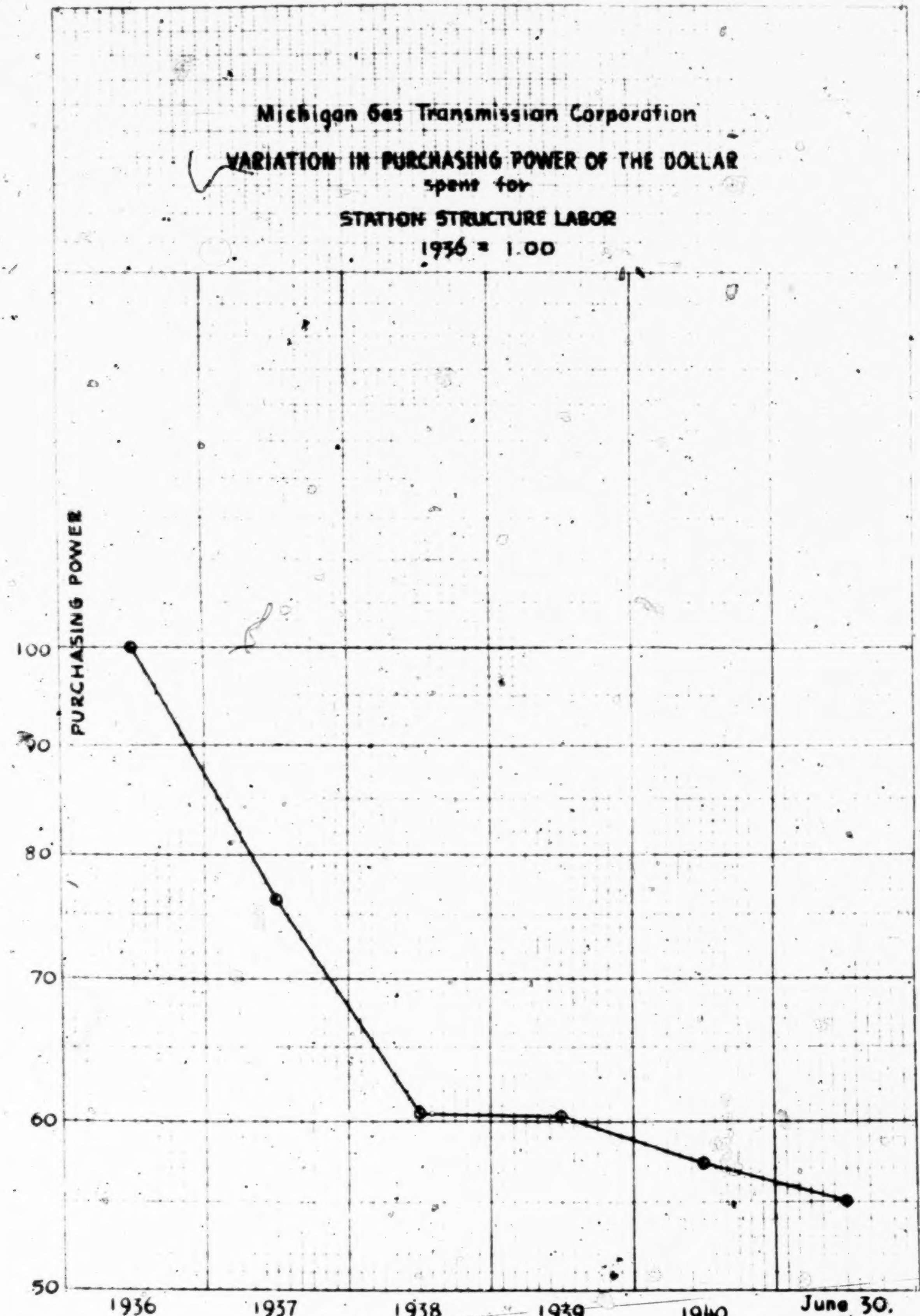
[fol. 14521] The figure of .862, as shown in the lower right hand corner of the tabulation opposite the caption "Purchasing Power at June 30, 1941 of Actual Dollars spent on 'Gas Plant'", expresses the percent of property that could have been built at the time the various units of property were built by using today's dollar with its present purchasing power. In other words, the same number of dollars as were originally spent for this property, if spent as of June 30, 1941, would build only 86.2% of the present plant.

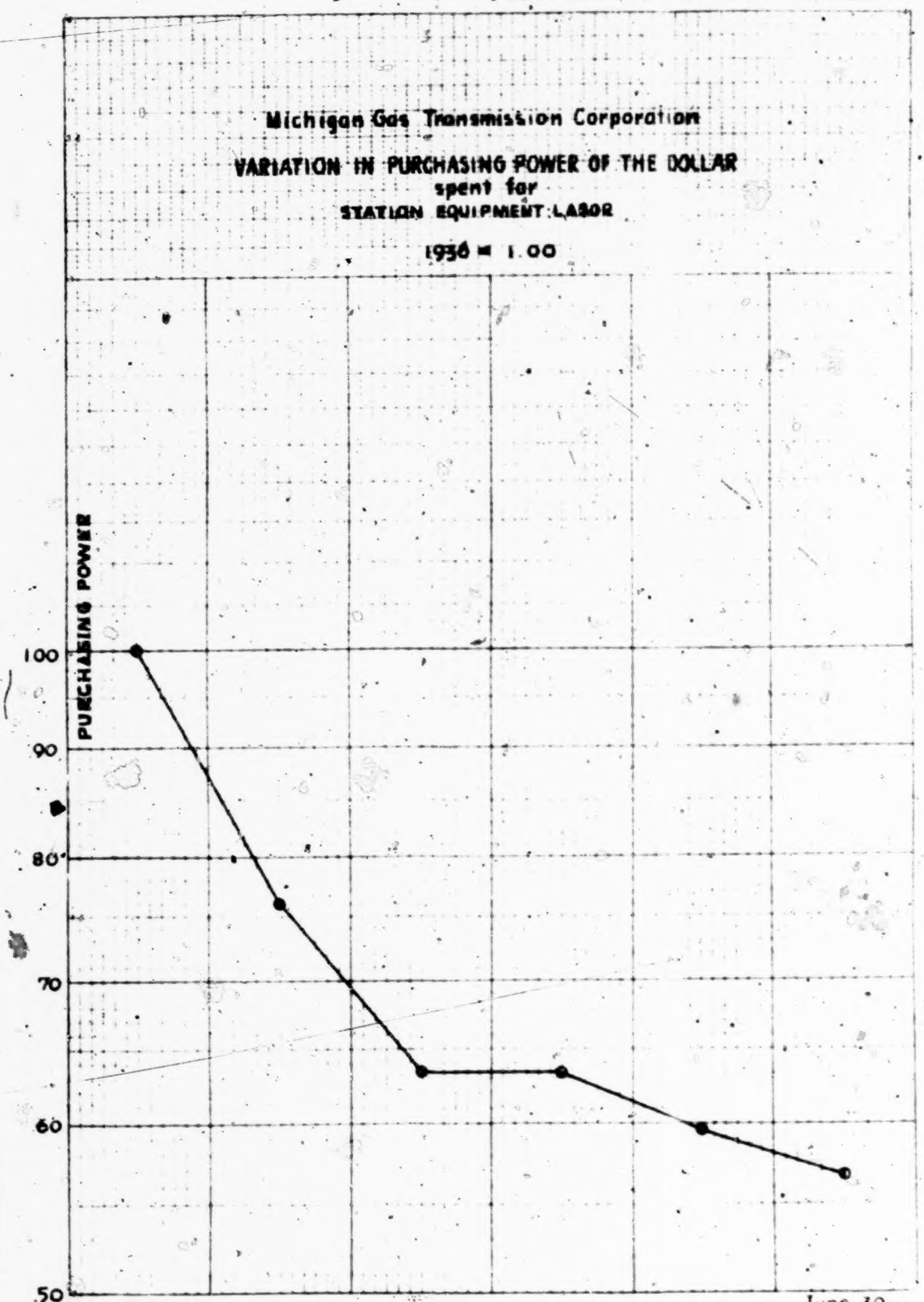

Michigan Gas Transmission Corporation
VARIATION IN PURCHASING POWER OF THE DOLLAR
spent for
1300 H.P. MAIN COMPRESSOR UNITS
1936 = 1.00
PURCHASING POWER
100
90
80
70
60
50
1936
1937
1938
1939
1940
June 30, 1941

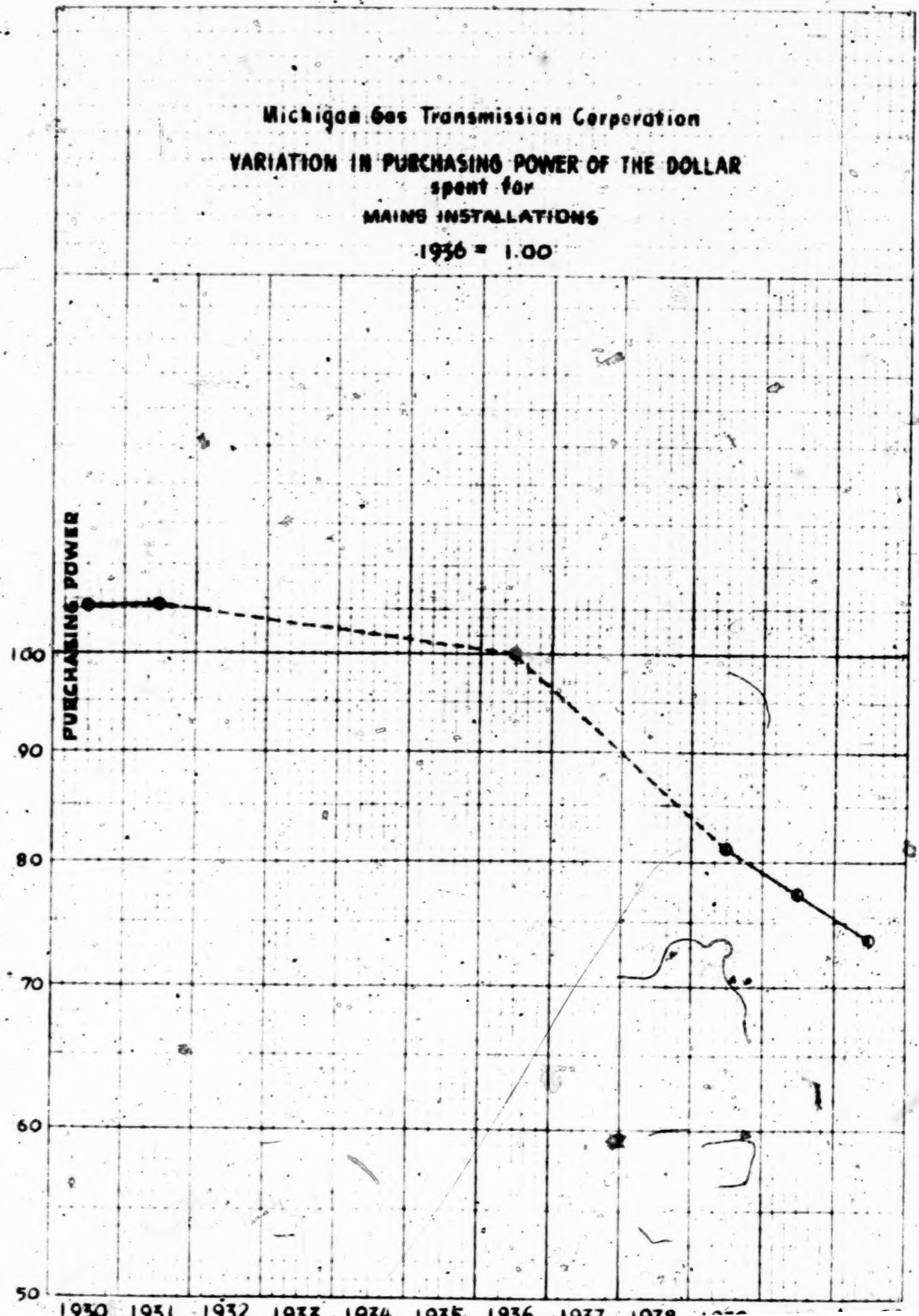

Michigan Gas Transmission Corporation
VARIATION IN PURCHASING POWER OF THE DOLLAR
spent for
STEEL PIPE — LARGE SIZES
1936 = 1.00
PURCHASING POWER
100
90
80
70
60
50
1930
1931
1932
1933
1934
1935
1936
1937
1938
1939
1940
June 30 1941


Michigan Gas Transmission Corporation
VARIATION IN PURCHASING POWER OF THE DOLLAR
spent for
STATION STRUCTURE MATERIALS
1936 = 1.00
PURCHASING POWER
100
90
80
70
60
50
1936
1937
1938
1939
1940
June 30, 1941

PART OF EXHIBIT 97. 4929




Michigan Gas Transmission Corporation
VARIATION IN PURCHASING POWER OF THE DOLLAR
spent for
STATION EQUIPMENT LABOR
1936 = 1.00
PURCHASING POWER
100
90
80
70
60
50


Michigan Gas Transmission Corporation
VARIATION IN PURCHASING POWER OF THE DOLLAR
spent for
MAINS INSTALLATIONS
1936 = 1.00
PURCHASING POWER
100
90
80
70
60
50
1930
1931
1932
1933
1934
1935
1936
1937
1938

Michigan Gas Transmission Corporation

VARIATION IN PURCHASING POWER OF DOLLAR AS RELATED TO "GAS PLANT"

1936 = 1.00

	1300 hp. Main Compressor Units	180 hp. Engine-Generators	Worthington Pumps	Elevated Water Tanks-erected	12-ton Traveling Cranes	Steel Pipe, Large Sizes per net ton f.o.b. mill	Valves, Large Sizes f.o.b. mill	Main Compressor Buildings	Stati Equipm Labo
	-	-	-	-	-	.878	1.189	-	-
	-	-	-	-	-	1.056	1.257	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.0
	.982	.883	.877	.857	.774	-	.818	.848	.7
	-	-	.877	.885	.736	-	.804	-	-
	-	-	.865	.860	.736	1.083	.806	-	-
	.862	.832	.852	.803	.736	1.251	.806	.774	.
30, 1941	.753	.773	.774	.692	.555	.900	.749	.736	.

Pur
of

D TO "GAS PLANT"

alves, ge Sizes .b. mill	Main Compressor Buildings	Station Equipment Labor	Stati Structu Labor
.189	-	-	-
.257	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
.000	1.000	1.000	1.00
.818	.848	.760	.76
.804	-	-	-
.806	-	-	-
.806	.774	.595	.5
.749	.736	.568	.5

Purchasing Power
of Actual Dollars

...ion ...ural ...r	Mains Installations Large Sizes (reflecting use of modern methods and machinery)	Composite of Total "Gas Plant"
)	1.052	0.952
)		1.023
	-	-
	-	-
	-	-
	-	-
00	1.000	1.000
63	-	.980
	-	.868
	.811	.943
74	.772	.958
50	.736	.847

at June 30, 1941
s spent on "Gas Plant" .862

MICHIGAN GAS TRANSMISSION CORPORATION

Statement of Income and Expense, per books, for years ended December 31, 1936 to 1940, inclusive, twelve months ended June 30, 1941 and six months ended June 30, 1941 and December 31, 1940

	1936 Indiana Gas Transmission Corporation(a) (A)	1936 Michigan Gas Transmission Corporation(a) (B)	1936 Total (C)	1937 (D)	1938 (E)	1939 (F)	1940 (G)
	Years Ended December 31,						
GAS OPERATING REVENUES:							
1) Sales to other gas utilities	$373,070.82	$1,323,719.42	$1,696,790.24	$1,937,616.90	$2,162,271.52	$2,802,818.40	$3,156,3
2) Rent from gas property	-	5.00	5.00	160.00	540.00	540.00	5
3) Revenue from transportation of gas of others	-	239,695.96	239,695.96	886,680.49	971,433.64	1,226,424.35	1,455,0
4) Total Gas Operating Revenues	$373,070.82	$1,563,420.38	$1,936,491.20	$2,824,457.39	$3,134,245.16	$4,029,782.75	$4,611,9
GAS OPERATING REVENUE DEDUCTIONS:							
Operating expenses:							
(5) Operation	$264,943.35	$1,102,775.09	$1,367,718.44	$1,924,708.64	$2,038,183.55	$2,541,077.50	$2,859,1
(6) Maintenance	196.04	8,731.58	8,927.62	39,311.43	42,020.26	44,281.22	55,3
(7) Depreciation	17,970.66	77,614.86	95,585.52	232,795.40	275,576.00	276,421.13	292,7
Taxes:							
(8) Federal income (b)	8,875.38	14,333.28	23,208.66	14,642.33	62,835.04	119,228.05	190,6
(9) Federal excess profits (b)	-	-	-	-	-	-	147,8
(10) State, local and miscellaneous Federal	6,802.72	48,163.71	54,966.43	115,983.08	106,525.11	123,138.74	154,1
(11) Total Gas Operating Revenue Deductions	$298,788.15	$1,251,618.52	$1,550,406.67	$2,327,440.88	$2,525,139.96	$3,104,146.64	$3,699,9
(12) NET UTILITY INCOME	$ 74,282.67	$ 311,801.86	$ 386,084.53	$ 497,016.51	$ 609,105.20	$ 925,636.11	$ 911,9
(13) OTHER INCOME	-	30.00	30.00	*(1,047.36)	-	157.92	-
(14) GROSS INCOME	$ 74,282.67	$ 311,831.86	$ 386,114.53	$ 495,969.15	$ 609,105.20	$ 925,794.03	$ 911,9
INCOME DEDUCTIONS:							
(15) Interest on debt to parent company	$ 19,798.92	$ 182,717.87	$ 202,516.79	$ 341,460.90	$ 379,593.03	$ 362,323.33	$ 433,9
(16) Other interest charges	-	-	-	-	1,043.80	10,810.58	5,4
(17) Interest charged to construction - credit	-	*(80,583.35)	*(80,583.35)	*(8,341.60)	*(10.82)	*(3,912.97)	*(28,1
(18) Total Income Deductions	$ 19,798.92	$ 102,134.52	$ 121,933.44	$ 333,119.30	$ 380,626.01	$ 369,220.94	$ 411,2
(19) NET INCOME TRANSFERRED TO EARNED SURPLUS	$ 54,483.75	$ 209,697.34	$ 264,181.09	$ 162,849.85	$ 228,479.19	$ 556,573.09	$ 500,6

Notes - (a) Indiana Gas Transmission Corporation was merged into Michigan Gas Transmission Corporation as of March 1, 1936. The Gas Transmission Corporation covers the two months ended February 29, 1936, while the 1936 revenue and expense of is for the ten months ended December 31, 1936. Prior to the merger Michigan Gas Transmission Corporation was in a operations.

(b) The provisions for Federal income and excess profits taxes, set out above, exceed the amounts actually paid or prese

Federal income taxes	$83.21	$7,528.03	$7,611.24	$7,421.03	$11,928.92	$11,603.14	$16,1
Federal excesss profits taxes	-	-	-	-	-	-	$135,5

The excess provisions, except for the over or under accruals made for the six months ended June 30, 1941, have bee cover the tax ultimately payable in connection with pending deficiencies in the tax, established by the Bureau o 1939. The over accrual for 1940 Federal excess profits tax includes an amount estimated to be $119,895.00, which 1941, to the Revenue Act of 1940.

Exhibit
No. of Pages - 3
Page No. 1
Witness - Spitznagle
Income and Expense

PORATION

oks, for years ended
welve months ended
30, 1941 and

r 31,				Twelve Months Ended June 30, 1941	Six Months Ended	
	1938	1939	1940		June 30, 1941	December 31, 1940
	(E)	(F)	(G)	(H)	(I)	(J)
16.90	$2,162,271.52	$2,802,818.40	$3,156,351.23	$3,481,524.01	$1,873,073.65	$1,608,450.36
30.00	540.00	540.00	540.00	635.00	365.00	270.00
30.49	971,433.64	1,226,424.35	1,455,009.12	1,506,174.94	839,393.89	666,781.05
57.39	$3,134,245.16	$4,029,782.75	$4,611,900.35	$4,988,333.95	$2,712,832.54	$2,275,501.41
08.64	$2,038,183.55	$2,541,077.50	$2,859,121.96	$3,197,032.86	$1,727,174.69	$1,469,858.17
11.43	42,020.26	44,281.22	55,306.52	57,210.52	25,792.26	31,418.26
95.40	275,576.00	276,421.13	292,766.88	334,564.47	188,181.04	146,383.43
42.33	62,835.04	119,228.05	190,668.42	218,036.44	133,095.42	84,941.02
	-	-	147,896.84	159,836.84	11,940.00	147,896.84
83.08	106,525.11	123,138.74	154,175.96	162,357.33	84,257.35	78,099.98
40.88	$2,525,139.96	$3,104,146.64	$3,699,936.58	$4,129,038.46	$2,170,440.76	$1,958,597.70
16.51	$ 609,105.20	$ 925,636.11	$ 911,963.77	$ 859,295.49	$ 542,391.78	$ 316,903.71
47.36)	-	157.92	-	-	-	-
69.15	$ 609,105.20	$ 925,794.03	$ 911,963.77	$ 859,295.49	$ 542,391.78	$ 316,903.71
60.90	$ 379,593.03	$ 362,323.33	$ 433,988.35	$ 489,196.66	$ 263,615.00	$ 235,581.66
	1,043.80	10,810.58	5,414.46	5,896.11	2,779.75	3,116.36
41.60)	*(10.82)	*(3,912.97)	*(28,119.65)	*(28,119.65)	-	*(28,119.65)
19.30	$ 380,626.01	$ 369,220.94	$ 411,283.16	$ 466,973.12	$ 256,394.75	$ 210,578.37
49.85	$ 228,479.19	$ 556,573.09	$ 500,680.61	$ 392,322.37	$ 285,997.03	$ 106,325.34

sion Corporation as of March 1, 1936. The above revenue and expense for Indiana
36, while the 1936 revenue and expense of Michigan Gas Transmission Corporation
igan Gas Transmission Corporation was in a period of organization and had no

exceed the amounts actually paid or presently payable for such taxes as follows:

21.03	$11,928.92	$11,603.14	$16,184.67	$19,228.40	$5,522.11	$13,706.29
	-	-	$135,595.15	$123,495.62	$*(19,378.18)	$142,873.80

e six months ended June 30, 1941, have been credited to reserve for contingencies to
es in the tax, established by the Bureau of Internal Revenue up to and including the year
n amount estimated to be $119,895.00, which resulted from amendments, dated March 7,

Management and Supervisory and Other Special Service Fees
and Expenses Paid to Associated Companies for Years Ended
December 31, 1938 to 1940, Inclusive, Six Months ended
June 30, 1941, Six Months Ended December 31, 1940, and
Twelve Months Ended June 30, 1941.

		Years Ended December 31,			Six Months Ended		Twelve Months Ended
		1938	1939	1940	June 30, 1941	December 31, 1940	June 30, 1941
		(A)	(B)	(C)	(D)	(E)	(F)
	Columbia Engineering Corporation:						
	Charged to operations:						
(1)	Compressor Station - M & E	$ -	$ 33.68	$ 56.98	$ 4.79	$ 56.98	$ 61.77
(2)	Measuring Station - Labor	194.72	-	-	-	-	-
(3)	Measuring Station - M & E	125.88	557.38	1,735.83	712.37	426.29	1,138.66
(4)	Transmission Line - Labor	24.64	-	-	-	-	-
(5)	Transmission Line - M & E	16.92	543.49	3,195.66	1,898.14	341.64	2,239.78
(6)	Supervision and Engineering - Labor	3.27	-	-	-	-	-
(7)	Supervision and Engineering - M & E	1.03	23.22	130.20	45.33	44.39	89.72
(8)	Management and Supervision - Fees and Expense	17,079.11	14,237.26	13,662.65	7,370.38	7,532.03	14,902.41
(9)	Special Services - Audit & Tax	984.10	3,174.18	3,396.66	4,888.64	390.27	5,278.91
(10)	Special Services - Other	12,007.52	12,391.36	13,887.62	10,045.16	7,636.34	17,681.50
(11)	Insurance	220.24	356.17	409.78	186.51	216.50	403.01
(12)	General Office Supplies and Expense	-	255.56	512.22	1,275.84	319.11	1,594.95
(13)	Stores Expense	-	13.24	12.52	12.46	12.52	24.98
(14)		$30,657.43	$31,585.54	$37,000.12	$26,439.62	$15,976.07	$43,415.69
	Charged to Construction work in progress:						
(15)	Compressor Station Equipment	$ -	$ -	$ 3,299.16	$ 100.00	$ 2,225.64	$ 2,325.64
(16)	Mains	-	5,539.76	12,581.82	554.74	11,101.72	11,656.46
(17)	Measuring and Regulating Equipment	41.86	-	108.35	-	108.35	108.35
(18)	Other Transmission System Structures	-	-	-	122.91	-	122.91
(19)		$ 41.86	$ 5,539.76	$15,989.33	$ 777.65	$13,435.71	$14,213.36
(20)	Charged to accrued legal fees	$ 284.40	$ -	$ -	$ -	$ -	$ -
	Charged to accounts receivable:						
(21)	The Toledo Edison Company	$ -	$ -	$ 251.96	$ -	$ -	$ -
(22)		$30,983.69	$37,125.30	$53,241.41	$27,217.27	$30,411.78	$57,629.05
	The Ohio Fuel Gas Company:						
	Charged to Operations:						
(23)	Special Services - Other	$ -	$ 3,205.25	$ 4,739.33	$ 418.09		
	The Manufacturers Light & Heat Company:						
	Charged to operations:						
(24)	Special Services - Other	$ -	$ 752.90	$ 3.20	$ -		
(25)	Total	$30,983.69	$41,083.45	$57,983.94	$27,635.36		

The above amounts include all fees and expenses paid to affiliated companies as ascertained from the Company's records.

MICHIGAN GAS TRANSMISSION CORPORATION

Depreciation Provision Per Books
For Years Ended December 31, 1936 to 1940, inclusive,
and Six Months Ended June 30, 1941

	1936 Indiana Gas Transmission Corporation(1) (A)	1936 Michigan Gas Transmission Corporation(1) (B)	1936 Total (1) (C)	Years Ended December 31, 1937 (D)	1938 (E)
GENERAL PROPERTY					
Depreciable Base:					
(1) Beginning of year	$2,358,354.62	$ 2,358,354.62	$2,358,354.62	$7,759.846.18	$9,185,866.54
(2) Detroit Transmission Line Expenditures as of September 30, 1936	-	4,952,786.26	4,952,786.26	-	-
(3) Detroit Transmission Line Expenditures as of October 31, 1936	-	4,974,079.02	4,974,079.02	-	-
Annual Depreciation Rate:					
(4) Applicable to depreciable base at beginning of year	3%	3%	3%	3%	3%
(5) Applicable to depreciable base of Detroit Transmission Line Expenditures as of September 30, and October 31, 1936	-	2%	2%	-	-
Depreciation - Charged against Income:					
(6) On depreciable base at beginning of year	17,970.66	52,779.96	70,750.62	232,795.40	275,576.00
(7) On depreciable base of Detroit Transmission Line Expenditures as of September 30, 1936 for 1 month	-	8,254.64	8,254.64	-	-
(8) On depreciable base of Detroit Transmission Line Expenditures as of October 31, 1936 for 2 months	-	16,580.26	16,580.26	-	-
(9) Total	$ 17,970.66	$ 77,614.86	$ 95,585.52	$ 232,795.40	$ 275,576.00
TRANSPORTATION EQUIPMENT (3)					
Depreciable Base - Actual cost of each piece of equipment less estimated salvage value.					
Depreciation Rate - Computed for each piece of equipment by dividing the depreciable base by the estimated life of the equipment.					
Depreciation - charged against Transportation (10) Expense - Clearing Amount	$ -	$ 4,758.12	$ 4,758.12	$ 3,193.96	$ 2,640.10
SPECIAL EQUIPMENT (3)					
Depreciable Base - Actual cost of each piece of equipment less estimated salvage value.					
Depreciation Rate - Computed for each piece of equipment by dividing the depreciable base by the estimated life of the equipment.					
Depreciation:					
(11) Charged against Transportation Expense Clearing Account	$ -	$ -	$ -	$ -	$ 476.57
(12) Charged against Special Equipment Expense Clearing Account	-	-	-	-	-

NOTES:
(1) Indiana Gas Transmission Corporation was merged into Michigan Gas Transmission Corporation as of March 1, 1936. T oiation provision for Indiana Gas Transmission Corporation cover the two months ended February 29, 1936, while provision of Michigan Gas Transmission Corporation are for the ten months ended December 31, 1936. Prior to the a period of organization and had no operations.
(2) Represents 51.3% of estimated annual provision for 1941 and the percentage is based on ratio of MCF deliveries to
(3) Amounts cleared from these accounts are not charged to depreciation account but to various operating expense and of use of automotive equipment, and hours use of special equipment.

TION

Exhibit 99.
Page No. 3
Depreciation per books.

s
, inclusive,
941

ecember 31,				
937	1938	1939	1940	Six Months Ended Six Months Ended June 30,1941
(D)	(E)	(F)	(G)	(H)
9.846.18	$9,185,866.54	$9,214,037.60	$9,758,895.91	$12,226,180.09
-	-	-	-	-
-	-	-	-	-
3%	3%	3%	3%	3%
-	-	-	-	-
2,795.40	275,576.00	276,421.13	292,766.88	188,181.04(2)
-	-	-	-	-
-	-	-	-	-
2,795.40	$ 275,576.00	$ 276,421.13	$ 292,766.88	$ 188,181.04(2)

d life of the equipment.

3,193.96	$ 2,640.10	$ 2,746.59	$ 4,424.76	$ 2,484.58

d life of the equipment.

-	$ 476.57	$ 726.48	$ 726.48	$ -
-	-	-	-	198.96

tion as of March 1, 1936. The above depreciable base, depreciation rate and depre-
d February 29, 1936. while the depreciable base, depreciation rate and depreciation
mber 31, 1936. Prior to the merger Michigan Gas Transmission Corporation was in

ratio of MCF deliveries to June 30, 1940 to MCF deliveries for year 1940.
ious operating expense and maintenance accounts, construction, etc., based on miles

MICHIGAN GAS TRANSMISSION CORPORATION

Statement of Income and Expense per Books and After Adjustments and Redistributions Necessary to Reflect the Two Six Month Periods per Books on an Annual Basis.
For Six Months Ended December 31, 1940 and June 30, 1941 and for Twelve Months Ended June 30, 1941

	F.P.C. Account Number		Six Months Ended December 31, 1940			Six Months Ended June 30,	
			Per Books (A)	Adjustments (B)	As Adjusted (C)	Per Books (D)	Adjustments (E)
		GAS OPERATING REVENUES:					
(1)	605	Sales to other gas utilities	$1,608,450.36	$ -	$1,608,450.36	$1,873,073.65	$ -
(2)	610	Rent from gas property	270.00	-	270.00	365.00	-
(3)	615	Revenue from transportation of gas of others	666,781.05	-	666,781.05	839,393.89	-
(4)	501	Total Gas Operating Revenues	$2,275,501.41	$ -	$2,275,501.41	$2,712,832.54	$ -
		GAS OPERATING REVENUE DEDUCTIONS:					
(5)	502	Operating expenses	$1,501,276.43	$ *(207.00)(4)	$1,501,069.43	$1,752,966.95	$ *(69.00)(4)
(6)	503.1	Depreciation	146,383.43	*(3,508.13)(1)	142,875.30	188,181.04	6,535.63 (1)
	507	Taxes:					
(7)		Federal income	84,941.02	*(7,799.66)(2)	77,141.36	133,095.42	*(15,205.11)(3)
(8)		Federal excess profits	147,896.84	*(147,896.84)(3)	-	11,940.00	57,452.24 (2)
(9)		State, local and miscellaneous federal	78,099.98	-	78,099.98	84,257.35	-
(10)		Total Gas Operating Revenue Deductions	$1,958,597.70	$ *(159,411.63)	$1,799,186.07	$2,170,440.76	$48,713.76
(11)		NET GAS OPERATING REVENUES	$ 316,903.71	$159,411.63	$ 476,315.34	$ 542,391.78	$ *(48,713.76)
		INCOME DEDUCTIONS:					
(12)	534	Interest on debt to parent company	$ 235,581.66	$ -	$ 235,581.66	$ 253,615.00	$ -
(13)	535	Other interest charges	3,116.36	-	3,116.36	2,779.75	-
(14)	536	Interest charged to construction - cr.	28,119.65	-	28,119.65	-	-
(15)	538	Miscellaneous income deductions	-	207.00 (4)	207.00	-	69.00 (4)
		Total Income Deductions	$ 210,578.37	$ 207.00	$ 210,785.37	$ 256,394.75	$ 69.00
		NET INCOME TRANSFERRED TO EARNED SURPLUS	$ 106,325.34	$159,204.63	$ 265,529.97	$ 285,997.03	$ *(48,782.76)

*() Denotes deduction

Exhibit 100
No. of Pages - 4
Page No. 1
Witness - Spitznagle
Adjusted Income and Expense

and Redistributions
nnual Basis.
Twelve Months

Per Books (D)	Adjustments (E)	As Adjusted (F)	Twelve Months Ended June 30, 1941 As Adjusted (G)
Six Months Ended June 30, 1941			
$1,873,073.65	$ -	$1,873,073.65	$3,481,524.01
365.00	-	365.00	635.00
839,393.89	-	839,393.89	1,506,174.94
$2,712,832.54	$ -	$2,712,832.54	$4,988,333.95
$1,752,966.95	$ *(69.00)(4)	$1,752,897.95	$3,253,967.38
188,181.04	6,535.63 (1)	194,716.67	337,591.97
133,095.42	*(15,205.11)(3)	117,890.31	195,031.67
11,940.00	57,452.24 (2)	69,392.24	69,392.24
84,257.35	-	84,257.35	162,357.33
$2,170,440.76	$48,713.76	$2,219,154.52	$4,018,340.59
$ 542,391.78	$ *(48,713.76)	$ 493,678.02	$ 969,993.36
$ 253,615.00	$ -	$ 253,615.00	$ 489,196.66
2,779.75	-	2,779.75	5,896.11
-	-	-	28,119.65
-	69.00 (4)	69.00	276.00
$ 256,394.75	$ 69.00	$ 256,463.75	$ 467,249.12
$ 285,997.03	$ *(48,782.76)	$ 237,214.27	$ 502,744.24

MICHIGAN GAS TRANSMISSION CORPORATION

Adjustments to Statement of Income and Expense for Six Months Ended December 31, 1940
Necessary to Reflect the Correct Distribution of Certain Charges for the year 1940
Between the Six Months Ended June 30, 1940 and the Six Months Ended December 31, 1940

			DEBIT	CREDIT
1.				
Earned Surplus at beginning of period			$ 3,508.13	
Depreciation				$ 3,508.13
To redistribute depreciation charged against income on the books, as follows:				
Depreciation per books for year 1940		$292,766.88		
Amount per books for six months ended December 31, 1940 based on estimates made at beginning of yearly period		$146,383.43		
Amount chargeable to said period based on MCF deliveries during said period to total MCF deliveries in 1940		142,875.30		
Amount redistributed to six months ended June 30, 1940		$ 3,508.13		
2.				
Earned Surplus at beginning of period			6,060.28	
Accrued taxes			1,739.38	
Federal Income Tax				7,799.66
To adjust 1940 provision for Federal income tax to amount per return filed plus estimated contingency with respect thereto and to redistribute such adjusted provision as follows:				
Provision per books for year 1940		$190,668.42		
Tax per return filed for year 1940	$174,483.73			
Estimated contingent tax	14,445.31	188,929.04		
Overaccrual for year 1940		$ 1,739.38		
Provision per books for six months ended December 31, 1940		$ 84,941.02		
Provision chargeable to said period based on net income before Federal income and excess profits taxes for said period to total of such income for the year 1940 applied to the above $188,929.04		77,141.36		
Provision redistributed to six months ended June 30, 1940	$ 6,060.28			
Adjustment for overaccrual for year 1940	1,739.38	$ 7,799.66		

Exhibit 100
Page No. 3
Adjustments To
Income And Expense

MICHIGAN GAS TRANSMISSION CORPORATION

Adjustment to Statement of Income and Expense for Six Months Ended December 31, 1940
Necessary to Reflect the Correct Distribution of Certain Charges for the Year 1940
Between the Six Months Ended June 30, 1940 and the Six Months Ended December 31, 1940

			DEBIT	CREDIT
3.				
Earned Surplus at beginning of period			$ 28,028.86	
Accrued taxes			119,867.98	
Federal Excess Profits Tax				$147,896.84
To adjust 1940 provision for Federal excess profits tax to amount per return filed plus estimated contingency with respect thereto and to redistribute said adjusted provision as follows:				
Provision per books for year 1940		$147,896.84		
Tax per return filed for year 1940	$ 12,301.69			
Estimated contingent tax	15,727.17	28,028.86		
Overaccrual for year 1940		$119,867.98		
Provision per books for six months ended December 31, 1940		$147,896.84		
Provision chargeable to said period based on net income subject to Federal excess profits tax for said period to total of such income for year 1940 applied to the above $28,028.86		-o-		
Provision redistributed to six months ended June 30, 1940	$ 28,028.86			
Adjustment for overaccrual for year 1940	$119,867.98	$147,896.84		
4.				
Miscellaneous Income Deductions			$ 207.00	
Operation				$ 207.00
To transfer donations from administrative and general expense to miscellaneous income deductions				

MICHIGAN GAS TRANSMISSION CORPORATION

Adjustments and Redistributions to Statement of Income and Expenses for Six Months Ended June 30, 1941, Necessary to Reflect the Correct Distribution of Certain Charges for the Year 1941, Between the Six Months Ended June 30, 1941 and the Six Months Ended December 31, 1941

		DEBIT	CREDIT
1.			
Depreciation		$ 6,535.63	
Reserve for Depreciation			$ 6,535.63
To redistribute depreciation charged against income on the books, as follows:			
Depreciation for year 1941 - Estimated	$366,785.40		
Amount per books for six months ended June 30, 1941 based on estimates made at beginning of yearly period	188,181.04		
Amount chargeable to said period based on MCF deliveries during said period to total of MCF deliveries during said period plus estimated MCF deliveries for balance of year 1941	194,716.67		
Amount redistributed from six months ended December 31, 1941	$ 6,535.63		
2.			
Federal Excess Profits Tax		$ 57,452.24	
Accrued Taxes			$ 57,452.24
To adjust provision for Federal excess profits tax to amount chargeable to six months ended June 30, 1941 under the Revenue Act of 1941, as follows:			
Provision per books for six months ended June 30, 1941	$ 11,940.00		
Provision chargeable to said period based on net income subject to Federal income and excess profits taxes for said period	69,392.24		
Adjustment for underaccrual for six months ended June 30, 1941	$ 57,452.24		
3.			
Accrued Taxes		$ 15,205.11	
Federal Income Tax			$ 15,205.11
To adjust provision for Federal income tax to amount chargeable to six months ended June 30, 1941 under the Revenue Act of 1941, as follows:			
Provision per books for six months ended June 30, 1941	$133,095.42		
Provision chargeable to said period based on net income subject to Federal income tax for said period	117,890.31		
Adjustment for overaccrual for six months ended June 30, 1941	$ 15,205.11		
4.			
Miscellaneous Income Deductions		$ 69.00	
Operations			$ 69.00
To transfer donations from administrative and general expense to miscellaneous income deductions			

MICHIGAN GAS TRANSMISSION CORPORATION

Comparative Statement of Operating Revenue
For Years ended December 31, 1936 to 1940, inclusive, Twelv
ended June 30, 1941 and Six Months ended June 30, 1941 and
31, 1940.

		Years ended December 31, 1936			1937
		Indiana Gas Transmission Corporation (1)	Michigan Gas Transmission Corporation (1)	Total	$
		(a)	(b)	(c)	(d)
	Sales to Other Gas Utilities:				
(1)	Central Indiana Gas Company	$ 126,269.21	$ 654,113.96	$ 780,383.17	$1,284,719.35
(2)	Indiana Gas Distribution Corporation (affiliated company)	4,475.00	105,164.50	109,639.50	292,710.30
(3)	Indiana-Ohio Public Service Company	8,577.00	21,923.50	30,500.50	28,604.50
(4)	Kentucky Natural Gas Corporation	-	929.36	929.36	570.81
(5)	Kokomo Gas and Fuel Company	-	-	-	7,978.32
(6)	Lynn Natural Gas Company	-	1,194.00	1,194.00	4,244.35
(7)	Michigan Consolidated Gas Company - Ann Arbor	-	-	-	-
(8)	Northern Indiana Public Service Company	-	-	-	43,108.77
(9)	The Ohio Fuel Gas Company (affiliated company)	209,434.51	407,672.90	617,107.41	4,023.30
(10)	Pendleton Natural Gas Company	2,264.90	2,893.55	5,158.45	6,616.90
(11)	Public Service Company of Indiana	21,991.40	128,703.00	150,694.40	260,632.35
(12)	Town of Lapel, Indiana	-	488.85	488.85	2,911.90
(13)	Town of Montezuma, Indiana	58.80	368.10	426.90	391.75
(14)	Town of Pittsboro, Indiana	-	178.15	178.15	457.40
(15)	Town of Roachdale, Indiana	-	89.55	89.55	646.90
(16)	Total	$ 373,070.82	$1,323,719.42	$1,696,790.24	$1,937,616.90
	Revenue from Transportation of Gas of Others:				
	On deliveries made for the account of Panhandle Eastern Pipe Line Company:				
(17)	Central State Natural Gas Company Inc.	-	-	-	-
(18)	Michigan Consolidated Gas Company - Ann Arbor	-	-	-	-
(19)	The Ohio Gas Light and Coke Company	-	-	-	-
(20)	Michigan Consolidated Gas Company - Detroit	-	239,695.96	239,695.96	886,680.49
(21)	National Utilities Company of Michigan	-	-	-	-
(22)	Toledo Edison Company	-	-	-	-
(23)	Total	$ -	$ 239,695.96	$ 239,695.96	$ 886,680.49
(24)	On deliveries made to Kentucky Natural Gas Corporation	-	-	-	-
	Total	-	$ 239,695.96	$ 239,695.96	$ 886,680.49
(25)	Rent from Gas Property	-	5.00	5.00	160.00
(26)	Total Operating Revenues	$ 373,070.82	$1,563,420.38	$1,936,491.20	$2,824,457.39

Notes - (1) Indiana Gas Transmission Corporation was merged into Michigan Gas Transmission Corporation as of March 1
for Indiana Gas Transmission Corporation covers the two months ended February 29, 1936, while the r
Corporation is for the ten months ended December 31, 1936. Prior to the merger Michigan Gas Transm
of organization and had no operations.

Exhibit 101
No. of Pages 1
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Witness - Spitznagle
Comparative Operating Revenues

S TRANSMISSION CORPORATION

tatement of Operating Revenue
1936 to 1940, inclusive, Twelve Months
Months ended June 30, 1941 and December

Years ended December 31,	1937	1938	1939	1940		Twelve Months Ended June 30, 1941	Six Months Ended June 30, 1941	Six Months Ended December 31, 1941
Total	$							
(c)	(d)	(c)	(f)	(g)		(h)	(i)	(j)
$ 780,383.17	$1,284,719.35	$1,044,098.61	$1,404,669.99	$1,505,648.21		$1,720,127.85	$ 932,407.07	$ 787,720.78
109,639.50	292,710.30	308,764.98	336,028.68	335,721.70		336,282.67	164,406.67	171,876.00
30,500.50	28,604.50	37,891.00	42,946.20	44,944.83		40,397.05	21,020.74	19,376.31
929.36	570.81	307.63		-		-	-	-
-	7,978.32	70,105.39	104,360.59	137,720.74		151,177.26	78,238.73	72,938.53
1,194.00	4,244.35	4,002.05	4,179.05	5,247.90		4,891.54	2,545.29	2,346.25
-	-	-	18,433.41	-		-	-	-
-	43,108.77	288,190.35	355,026.73	466,016.25		523,285.12	299,711.23	223,573.89
617,107.41	4,023.30	2,749.60	2,752.00	3,276.50		2,951.60	2,026.10	925.50
5,158.45	6,616.90	5,861.70	5,544.70	8,115.15		8,197.10	4,835.15	3,361.95
150,694.40	260,632.35	395,333.86	523,663.90	643,866.35		688,082.41	364,516.06	323,566.35
488.85	2,911.90	2,481.15	2,613.25	2,543.30		2,904.67	1,686.02	1,218.65
426.90	391.75	445.90	609.95	813.65		866.10	431.10	435.00
178.15	457.40	599.80	931.20	1,274.80		1,217.15	645.15	572.00
89.55	646.90	839.50	1,058.75	1,161.85		1,143.49	604.34	539.15
$1,696,790.24	$1,937,616.90	$2,162,271.52	$2,802,818.40	$3,156,351.23		$3,481,524.01	$1,873,073.65	$1,608,450.36
-	-	-	5,438.87	869.43		830.99	391.72	439.27
-	-	-		18,657.83		22,284.85	12,029.23	10,255.62
-	-	-		7,618.22		9,215.02	4,941.47	4,273.55
239,695.96	886,680.49	971,433.64	1,206,652.16	1,419,096.97		1,463,070.86	816,220.50	646,850.36
-	-	-	-	-		357.78	357.78	-
-	-	-	-	1,100.03		1,748.74	953.19	795.55
$ 239,695.96	$ 886,680.49	$ 971,433.64	$1,212,091.03	$1,447,342.44		$1,497,508.24	$ 834,893.89	$ 662,614.35
-	-	-	14,333.32	7,666.68		8,666.70	4,500.00	4,166.70
$ 239,695.96	$ 886,680.49	$ 971,433.64	$1,226,424.35	$1,455,009.12		$1,506,174.94	$ 839,393.89	$ 666,781.05
5.00	160.00	540.00	540.00	540.00		635.00	365.00	270.00
$1,936,491.20	$2,824,457.39	$3,134,245.16	$4,029,782.75	$4,611,900.35		$4,988,353.95	$2,712,852.54	$2,275,501.41

mission Corporation as of March 1, 1936. The above revenue
ed February 29, 1936, while the revenue of Michigan Gas Transmission
to the merger Michigan Gas Transmission Corporation was in a period

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Witness - Spitznagle

14538
4953

MICHIGAN GAS TRANSMISSION CORPORATION

Operation and Maintenance Expenses, Per Books,
For the Twelve Months Ended June 30, 1941

F.P.C. Account Number		Six Months Ended Dec. 31, 1940	Six Months Ended June 30, 1941	Twelve Months Ended June 30, 1941
	GAS PURCHASED			
749	Miscellaneous duplicate charges	$ *(44,337.81)	$ *(52,820.62)	$ *(97,158.43)
754.1	Gas Purchased - Natural Gas	1,351,857.26	1,543,889.62	2,895,746.88
754.2	Gas Purchased - Other Gas	-	-	-
755	Purchased Gas Expenses	336.31	276.93	613.24
	Total Gas Purchased and Purchased Gas Expenses	$1,307,855.76	$1,491,345.93	$2,799,201.69
	TRANSMISSION EXPENSES			
758	Operation Supervision and Engineering	$ 8,991.63	$ 17,972.47	$ 26,964.10
759.111	Pumping Station - Labor	30,858.39	38,865.07	69,723.46
759.112	Measuring and Regulating Station - Labor	23,018.19	17,717.49	40,735.68
759.121	Pumping Station - Supplies and Expenses	47,010.57	57,835.57	104,846.14
759.122	Measuring and Regulating Station - Supplies and Expenses	5,976.14	7,020.47	12,996.61
759.21	Operation of Transmission Mains - Labor	11,571.44	19,801.69	31,373.13
759.22	Operation of Transmission Mains - Supplies and Expenses	3,610.28	5,863.08	9,473.36
759.3	Transmission Maps and Records	1,557.33	3,003.75	4,561.08
	Total Transmission Operation	$ 132,593.97	$ 168,079.59	$ 300,673.56
760	Maintenance Supervision & Eng.	$ 2,704.58	$ 5,402.79	$ 8,107.37
761.1	Maintenance of Pumping Station Structures	391.55	2,127.75	2,519.30
761.2	Main. of Meas. & Reg. Station Structures	693.81	812.71	1,506.52
761.3	Main. of Other Trans. Sys. Strus.	192.02	117.48	309.50
762.1	Maintenance of Mains	20,106.58	12,674.75	32,781.33
762.21	Main. of Pump. Sta. Equipment	3,712.71	3,617.00	7,329.71
762.22	Main. of Meas. and Regulating Station Equipment	3,466.16	1,022.09	4,488.25
762.23	Main. of Other Trans. Sys. Equip.	-	-	-
	Total Transmission Maintenance	$ 31,267.41	$ 25,774.57	$ 57,041.98
763.1	Trans. & Comp. of Gas by Others	$ -	$ -	$ -
763.2	Rents	1,363.42	1,731.84	3,095.26
764.1	Joint Expenses - Dr.	-	-	-
764.2	Joint Expenses - Cr.	-	-	-
	Total Transmission Expenses	$ 165,224.80	$ 195,586.00	$ 360,810.80
	SALES PROMOTION EXPENSES			
785	Supervision	$ -	$ -	$ -
786	Salaries and Commissions	-	-	-
787.1	Demonstration	-	-	-
787.2	Advertising	-	-	-
787.3	Miscellaneous Sales Expenses	1,900.00	3,929.21	5,829.21
788	Rents	-	-	-
789	Mdse., Jobbing & Contract Work	-	-	-
	Total Sales Promotion Expenses	$ 1,900.00	$ 3,929.21	$ 5,829.21

(Cont'd.)

MICHIGAN GAS TRANSMISSION CORPORATION

Operation and Maintenance Expenses, Per Books,
For the Twelve Months Ended June 30, 1941

F.P.C. Account Number		Six Months Ended December 31, 1940	Six Months Ended June 30, 1941	Twelve Months Ended June 30, 1941
	ADMINISTRATIVE AND GENERAL EXPENSES			
790	Salaries of General Officers and Executives	$ 5,250.00	$ 4,937.00	$ 10,187.00
791	Other General Office Salaries	7,757.36	9,146.89	16,904.25
792.1	Expenses of General Officers	2,906.77	933.54	3,840.31
792.2	Expenses of General Office Employees	324.50	1,167.74	1,492.24
793	General Office Supplies and Expenses	2,667.81	2,399.35	5,067.16
794	Management and Supervision Fees and Expenses	7,532.03	7,370.38	14,902.41
795	Special Services	11,832.28	15,791.68	27,623.96
796	Special Legal Services	1,117.31	4,500.00	5,617.31
797	Regulatory Commission Expenses	-	-	-
798	Insurance	2,426.89	1,609.06	4,035.95
799	Injuries and Damages	6,000.00	7,584.24	13,584.24
800.1	Employees Welfare Expenses	*(41.82)	760.80	718.98
800.2	Pensions	-	-	-
801	Miscellaneous General Expenses	970.33	3,817.90	4,788.23
802.1	Maintenance of Structures and Improvements	-	-	-
802.2	Maintenance of Office Furniture and Equipment	150.85	17.69	168.54
802.3	Maintenance of Communication Equipment	-	-	-
802.4	Maintenance of Miscellaneous Property	-	-	-
803	Rents	2,493.39	2,065.80	4,559.19
804	Commissions Paid Under Agency Sales Contracts	-	-	-
805.1	Franchise Requirements - Cash Outlays	-	-	-
805.2	" " - Gas Supplied Without Charge-Dr.	-	-	-
805.3	" " - Other Items Furnished Without Charge - Dr.	-	-	-
806	Duplicate Miscellaneous Charges - Cr.	-	-	-
807	Administrative and General Expense Transferred - Cr.	*(25,298.83)	*(65.26)	*(25,364.09)
808	Joint Expenses - Dr.	-	-	-
809	Joint Expenses - Cr.	-	-	-
	Total Administrative and General Expenses	$ 26,088.87	$ 62,036.81	$ 88,125.68
	Total Operation	$1,469,651.17	$1,727,105.69	$3,196,756.86
	Total Maintenance	31,418.26	25,792.26	57,210.52
	Total Operating Expenses	$1,501,069.43	$1,752,897.95	$3,253,967.38

*( ) Denotes Red Figure.

MICHIGAN GAS TRANSMISSION CORPORATION

Gas Sales, Gas Transported, Gas Used By Company, Line Losses and Gas Pu
For Years Ended December 31, 1936 to 1940, Inclusive, Twelve Months Er
June 30, 1941 and Six Months Ended June 30, 1941 and December 31, 194(

		Years Ended December 31,					
		1936			1937	1938	1939
		Indiana Gas Transmission Corporation (1)	Michigan Gas Transmission Corporation (1)	Total			
		(A)	(B)	(C)	(D)	(E)	(F)
	SALES TO OTHER GAS UTILITIES-MCF: (2)						
(1)	Central Indiana Gas Company	407,636	2,176,474	2,584,110	4,882,723	3,941,546	5,553,472
(2)	Indiana Gas Distribution Corporation (associated company)	8,950	369,079	378,029	1,057,827	1,114,456	1,207,492
(3)	Indiana - Ohio Public Service Company	17,154	43,847	61,001	57,209	75,782	93,689
(4)	Kentucky Natural Gas Corporation	-	3,507	3,507	2,154	3,425	-
(5)	Kokomo Gas and Fuel Company	-	-	-	26,330	274,712	404,261
(6)	Lynn Natural Gas Company	-	2,388	2,388	8,558	8,030	8,225
(7)	Michigan Consolidated Gas Company - Ann Arbor	-	-	-	-	-	60,759
(8)	Northern Indiana Public Service Company	-	-	-	139,983	928,537	1,206,744
(9)	The Ohio Fuel Gas Company (associated company)	930,820	1,837,015	2,767,835	13,185	7,598	5,504
(10)	Pendleton Natural Gas Company	4,118	5,261	9,379	12,383	11,066	10,409
(11)	Public Service Company of Indiana	61,755	375,725	437,480	868,751	1,307,070	1,795,751
(12)	Town of Lapel, Indiana	-	985	985	6,111	4,922	5,112
(13)	Town of Montezuma, Indiana	113	733	846	748	847	1,163
(14)	Town of Pittsboro, Indiana	-	336	336	869	1,135	1,778
(15)	Town of Roachdale, Indiana	-	171	171	1,223	1,609	2,043
(16)	Total	1,430,546	4,815,521	6,246,067	7,078,054	7,680,735	10,355,402
	TRANSPORTATION OF GAS OF OTHERS - MCF: (2)						
	Delivered for Panhandle Eastern Pipe Line Company to:						
(17)	Central States Natural Gas Company, Inc.	-	-	-	-	-	4,766
(18)	Michigan Consolidated Gas Company-Detroit	-	3,864,515	3,864,515	15,969,589	16,032,389	18,364,737
(19)	Michigan Consolidated Gas Company-Ann Arbor	-	-	-	-	-	27,217
(20)	National Utilities Company of Michigan	-	-	-	-	-	-
(21)	The Ohio Gas, Light & Coke Company	-	-	-	-	-	50,249
(22)	Toledo Edison Company	-	-	-	-	-	-
(23)	Total	-	3,864,515	3,864,515	15,969,589	16,032,389	18,446,969
(24)	Delivered for Kentucky Natural Gas Corporation	-	-	-	-	-	1,706,635
(25)	Total Sold and Transported	1,430,546	8,680,036	10,110,582	23,047,643	23,713,124	30,509,006
(26)	GAS USED BY COMPANY - MCF	-	20,046	20,046	160,656	211,056	329,885
(27)	LINE LOSSES - MCF (2) (3)	*(15,530)	161,120	145,590	571,068	408,453	506,184
(28)	Total Gas Delivered and Line Losses-MCF	1,415,016	8,861,202	10,276,218	23,779,367	24,332,633	31,345,075
	GAS PURCHASED - MCF:						
(29)	Panhandle Eastern Pipe Line Company	1,397,862	4,828,027	6,225,889	7,636,699	8,300,244	11,191,471
(30)	The Ohio Fuel Gas Company	17,154	168,660	185,814	173,079	-	-
(31)	Total	1,415,016	4,996,687	6,411,703	7,809,778	8,300,244	11,191,471
(32)	GAS OF OTHERS RECEIVED FOR TRANSPORTATION - MCF	-	3,864,515	3,864,515	15,969,589	16,032,389	20,153,604
(33)	Total Gas Received - MCF (3)	1,415,016	8,861,202	10,276,218	23,779,367	24,332,633	31,345,075

NOTES: (1) Indiana Gas Transmission Corporation was merged into Michigan Gas Transmission Corporation as of March 1, 1936. The Corporation covers the two months ended February 29, 1936, while the MCF statistics of Michigan Gas Transmission Co Prior to the merger Michigan Gas Transmission Corporation was in a period of organization and had no operations.
(2) Volume based on various measurement provisions stipulated in the respective sales contracts.
(3) Volume based on 30" - 60° saturation.

* ( ) denotes red figure

Exhibit 103
No. of Pages - 1
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Witness - Spitznagle
Gas Sales, etc.

N CORPORATION

Company, Line Losses and Gas Purchased
940, Inclusive, Twelve Months Ended
e 30, 1941 and December 31, 1940.

	er 31,			Twelve Months Ended June 30, 1941	Six Months Ended	
	1938	1939	1940		June 30, 1941	December 31, 1940
	(E)	(F)	(G)	(H)	(I)	(J)
3	3,941,546	5,553,472	5,880,115	6,781,787	3,647,938	3,133,849
7	1,114,456	1,207,492	1,261,400	1,342,869	654,765	688,104
9	75,782	93,689	121,697	118,522	62,773	55,749
4	3,425	-	-	-	-	-
0	274,712	404,261	500,198	545,707	278,348	267,359
8	8,030	8,225	10,657	10,433	5,698	4,735
	-	60,759	-	-	-	-
3	928,537	1,206,744	1,476,694	1,584,554	888,373	696,181
5	7,598	5,504	6,553	5,968	4,117	1,851
3	11,065	10,409	15,650	15,713	9,343	6,370
1	1,307,070	1,795,751	2,080,820	2,275,071	1,234,667	1,040,404
1	4,922	5,112	4,894	5,837	3,504	2,333
8	847	1,163	1,557	1,653	822	831
9	1,135	1,778	2,469	2,461	1,367	1,094
3	1,609	2,043	2,225	2,313	1,287	1,026
1	7,680,735	10,355,402	11,364,929	12,692,888	6,793,002	5,899,886
	-	4,766	13,088	12,157	5,990	6,167
9	16,032,389	18,364,737	21,976,727	23,024,776	12,711,895	10,312,881
	-	27,217	304,546	337,849	187,758	150,091
	-	-	-	6,158	6,158	-
	-	50,249	119,062	138,907	73,935	64,972
	-	-	18,543	28,822	15,093	13,729
)	16,032,389	18,446,969	22,431,966	23,548,669	13,000,829	10,547,840
	-	1,706,635	2,112,080	2,314,105	1,237,630	1,076,475
5	23,713,124	30,509,006	35,908,975	38,555,662	21,031,461	17,524,201
5	211,056	329,885	390,681	392,436	219,116	173,320
3	408,453	506,184	555,987	616,093	284,273	331,820
'	24,332,633	31,345,075	36,855,643	39,564,191	21,534,850	18,029,341
	8,300,244	11,191,471	12,311,597	13,701,417	7,296,391	6,405,026
	-	-	-	-	-	-
	8,300,244	11,191,471	12,311,597	13,701,417	7,296,391	6,405,026
	16,032,389	20,153,604	24,544,046	25,862,774	14,238,459	11,624,315
	24,332,633	31,345,075	36,855,643	39,564,191	21,534,850	18,029,341

ation as of March 1, 1936. The above MCF statistics for Indiana Gas Transmission
of Michigan Gas Transmission Corporation is for the ten months ended December 31,1936.
ation and had no operations.
racts.

EXHIBIT 106. 4959

Composite copy of Registration Statement filed November 18, 1940, and Amendments filed November 22, 1940, December 3, 1940, January 27, 1941 and January 29, 1941.

Date of Filing: November 18, 1940. **Registration No. 2-4579**

Effective Date: January. 29, 1941.

(The above to be left blank by the registrant)

FORM A-2

For Corporations

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C.

REGISTRATION STATEMENT

Under

SECURITIES ACT OF 1933

PANHANDLE EASTERN PIPE LINE COMPANY

(Name of Registrant)

Securities Registered

Title of Issue, or Issues	Amount
First Mortgage and First Lien 3% Bonds, Series B, due November 1, 1960.	$12,000,000

Amount of Filing Fee: $1,260.00.

Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of this Registration Statement.

Name and address of person authorized to receive notices and communications from the Securities and Exchange Commission:

R. A. Ransom, 90 Broad Street, New York, New York.

EXHIBIT 106. 4961

The information required to be given under the items hereinbelow set forth is more specifically defined in the "Instruction Book for Form A-2 for Corporations."

The Instruction Book also sets forth requirements as to Financial Statements, Exhibits, Signatures, Consents of Experts and the Prospectus, which are to accompany the registration statement or to be incorporated therein by reference.

The financial statements and schedules filed herewith and the answer set forth in Item 45 of this Registration Statement have been reviewed by Messrs. Arthur Andersen & Co., accountants and auditors, and such statements and information are made or given on the authority of said firm. The statements with respect to matters of law and legal conclusions made in Item 5 with respect to jurisdiction of commissions of certain states, in Item 6 as to dissolution of subsidiaries of the Registrant, in Item 7 as to the ownerhip by the Registrant of its production property and transmission property, in Item 8 as to franchises and concessions, in Item 15 as to liens securing the Registrant's First Mortgage and First Lien 3% Bonds, Series B and First Mortgage and First Lien Bonds, Series A, in Item 40 as to litigation, and in Item 41, except paragraphs 4 and 5 thereof, as to material contracts, have been reviewed by Glenn W. Clark, head of the Registrant's legal department, and such statements are made on the authority of such counsel. The statements with respect to matters of law and legal conclusions made in Item 5 with respect to the Public Utility Act of 1935, in Item 6 under the heading "Certain Other Phases of Corporate History" in so far as such statements relate to any proceedings to which the Registrant is a party, and in paragraphs 4 and 5 of Item 41, have been reviewed by Edward N. Goodwin, general counsel of the Registrant; and such statements are made on the authority of such counsel. The letter set forth in Item 7 under the heading "Production Property and Gas Reserves" has been prepared by Ralph E. Davis, Inc., Engineers, and the letter in Item 7 under the heading "Transmission Property" has been prepared by P. McDonald Biddison, Consulting Engineer, and all of such statements are made, and all such information is presented, on the authority of said corporation and individual, respectively, as experts.

CALCULATION OF REGISTRATION FEE

Col. A	Col. B	Col. C	Col. D	Col. E
Title of Issue, or issues registered	Amount registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of filing fee
First Mortgage and First Lien 3% Bonds, Series B, due November 1, 1960	$12,000,000	105%*	$12,600,000*	$1,260.00

* Plus accrued interest from November 1, 1940 to date of delivery. Estimate solely for the purpose of calculating the filing fee.

ORGANIZATION

1. **Exact name of registrant:**

PANHANDLE EASTERN PIPE LINE COMPANY

2. **Address of principal executive offices:**

1221 Baltimore Avenue, Kansas City, Missouri, and 90 Broad Street, New York, New York.

3. **The state or other sovereign power under which incorporated, and the date of incorporation:**

State of Delaware, under name Interstate Pipe Line Company, on December 23, 1929. Name changed to Panhandle Eastern Pipe Line Company on May 9, 1930.

EXHIBIT 106. 4963

4. **List the following and indicate the respective percentages of voting power as required by the Instructions:**

	Percentage of Voting Power of Securities Owned by Panhandle Eastern Pipe Line Company
(a) All subsidiaries of the registrant	
Illinois Natural Gas Company, an Illinois corporation	100%

	Percentage of Voting Power of Securities of Panhandle Eastern Pipe Line Company Owned — Percentage Within Classes	To Total(1)
(b) All parents of the registrant.		
Gano Dunn, Trustee for Columbia Oil & Gasoline Corporation appointed pursuant to Decree dated January 29, 1936, in Cause No. 1099 in Equity in the District Court of the United States for the District of Delaware(2)		
Common Stock	50.1%	56.1%
Preferred Stock		
Class A	100%	
Class B	100%	
Missouri-Kansas Pipe Line Company		
Common Stock	42.0%	37.0%(1)

(1) This percentage relates to voting power on all matters except the election of directors. As to the latter the Class B Preferred Stock has the right to elect two directors, the balance being elected by the Common Stock by cumulative voting.

(2) The Decree states, in effect, that its purposes are to provide against domination or control, direct or indirect, in the affairs of the Registrant by Columbia Gas & Electric Corporation, and the maintenance of the Registrant in a position of free and independent action in the production, transmission, sale and distribution of natural gas in competition with others.

The Registrant is unable to make any representation with respect to the degree of control exercised by Columbia Gas & Electric Corporation over Columbia Oil & Gasoline Corporation. However, the Registrant is informed that Columbia Gas & Electric Corporation owns all of the outstanding Twenty-Year Debentures of Columbia Oil & Gasoline Corporation, and all the Preferred Stock of Columbia Oil & Gasoline Corporation, the holders of which, voting as a class, are entitled to elect the greatest number of directors which shall constitute a minority, and that the holders of the Common Stock of Columbia Oil & Gasoline Corporation, none of which is owned by Columbia Gas & Electric Corporation, are entitled, voting as a class, to elect the smallest number of directors which shall constitute a majority, but none of the directors so elected by the holders of the Common Stock may be a director, officer or employee of Columbia Gas & Electric Corporation or any of its subsidiaries.

The following provisions of the Decree are quoted to indicate the relationship to the Registrant of Columbia Oil & Gasoline Corporation and Columbia Gas & Electric Corporation. Such provisions as do not affect this relationship are omitted.

Section II provides:

"That the defendants be and they are hereby perpetually enjoined from exercising, or attempting, individually or collectively, directly or indirectly, to exercise any dominion or control over Panhandle Eastern and from restraining, or interfering in any manner with the free and independent action of said Panhandle Eastern in the production, transportation, sale or delivery of natural gas to any person, corporation, community or section of the United States; from holding, acquiring, voting or in any manner acting as the owners, directly or indirectly, of the whole or any part of the stock, or other share capital, or bonds, property or assets of Panhandle Eastern or any other company, corporation, association or organization owning any substantial amount of its securities; and from participating

in any way, directly or indirectly, or from exercising any control, direction, supervision, or influence, in the management or control of Panhandle Eastern; except

* * * * * * *

"(c) That Columbia Gas and defendant Hillman may own or acquire obligations, without present or potential voting rights, of said Panhandle Eastern, except that Columbia Gas is hereby enjoined and restrained in connection with enforcing any rights under said obligations with respect to principal, interest or sinking fund, from acquiring any of the pipe line or other physical assets of Panhandle Eastern;

"(d) That Columbia Oil may own or acquire stock or obligations in Panhandle Eastern and exercise voting rights appurtenant thereto (and defendant Bay may be and exercise the lawful rights of an officer of Panhandle Eastern), subject to the further terms and provisions of this decree, but Columbia Gas is hereby perpetually enjoined and restrained from acquiring any interest in such stock, by operation of law, or in connection with enforcing any lien created through the present or future existence of any debt, whether funded or unfunded, of Columbia Oil to Columbia Gas, or otherwise;

"(e) That, when Columbia Gas has effectively divested itself of all control, direct or indirect, legal or practical, of Panhandle Eastern by no longer owning stock of any class having present or potential voting rights in Columbia Oil, upon the approval of this Court Columbia Oil shall no longer be subject to the restrictive clauses of this Section II;"

Section III provides:

"That Gano Dunn is hereby nominated, constituted and appointed Trustee for the purposes and with the powers and duties set forth in this Section III;

"That within 10 days after the entry of this decree Columbia Oil shall execute, and deposit with said Trustee the agreements and offers executed by it in accordance with, its agreements set forth in Section V of the stipulation pursuant to which this decree is entered;

"That within 10 days after the entry of this decree Columbia Oil shall transfer all of its stock now owned and thereafter all stock subsequently acquired in Panhandle Eastern, having present or potential voting rights, to said Trustee to hold the legal title to said stock and to exercise all the rights and privileges incidental to the absolute ownership thereof upon the following terms and conditions:

"(a) To vote said stock for the election of as many directors of Panhandle Eastern as the number of shares thereof may be entitled to elect; *Provided*, that one of the directors so elected shall be the trustee; and that the remainder shall be selected from among persons recommended by the beneficial owner of said stock, in conference and with the advice of the Trustee, but not including any of the individual defendants herein or any one (except with the approval of the Trustee and this Court) who, after January 1, 1931, has been or hereafter becomes an officer, director, agent or employee of Columbia Gas; and that, as to the directors so selected, the trustee is empowered to remove and replace such directors with others of his own choosing upon his own motion, if in his judgment such action is necessary in the interest of Panhandle Eastern or for the effectuation of the purposes of this decree; subject, however, in this as well as in the exercise of all other powers to the authority of this Court upon the motion and showing of any party hereto, or upon its own motion, to restrain said Trustee from abuses of sound discretion, in view of the purposes of this decree and the law under which it is entered, or in case said Trustee does not act in good faith hereunder;

"(b) To vote said stock upon all other questions and matters in which the stock is entitled to vote, as directed by the beneficial owners thereof, except when such directions are inconsistent with the purposes of this decree;

* * * * * * *

"(e) To pay over to Columbia Oil all dividends received upon said stock, except that dividends in the form of stock having present or potential voting rights shall be retained by the trustee subject to the same terms and conditions as the other shares held hereunder;

"(f) To exercise all rights to subscribe to additional stock or other securities of Panhandle Eastern as Columbia Oil may direct;

* * * * * * *

"That the trust hereby created shall be and remain in full force and effect until terminated with the approval of this Court when (1) Columbia Gas has effectively divested itself of all control, direct or indirect, legal or practical, of Panhandle Eastern by (a) no longer owning stock of any class having present or potential voting rights in Columbia Oil or (b) by Columbia Oil divesting itself of ownership of all stock of Panhandle Eastern; or when (2), under the circumstances then existing, the continuation of said trust is no longer essential or necessary in carrying out the purposes of this decree: *Provided*, that no such stock of Panhandle Eastern shall be divested by transfer to any competitor of Panhandle Eastern or without prior notice and full disclosure of the facts to petitioner";

Section IV provides:

"That the defendants be and they are hereby perpetually enjoined from restraining or interfering in any manner in the freedom of Panhandle Eastern to contract or to finance or arrange the financing of all contracts, extensions (including the proposed new line to Detroit, whether or not built and owned by it), repairs, maintenance, service, or improvements necessary in its business through or with any firm, person or corporation with whom it may choose to deal (and to that end any such financial or contractual arrangements made by Panhandle Eastern to consummate its contract dated August 31, 1935, with the Detroit City Gas Company shall be subject to the approval of the trustee who shall receive, and consider the advisability of, alternative methods of financing from any responsible underwriter);

"That if such contracts be made with or financial assistance be secured from Columbia Gas, such contracts may be made or financial assistance furnished only upon terms or conditions which do not in any way, directly or indirectly, presently or potentially, confer upon Columbia Gas any voting rights, control or participation in the management of Panhandle Eastern or confer any rights of ownership in the works or properties of Panhandle Eastern except as security for the investment; and in the event that Columbia Gas shall, with respect to any contract or any contractual rights of any kind whatsoever or any property held as security or used in connection with any contract, in any way prevent the free transportation, sale, and distribution of gas by Panhandle Eastern, then upon application to this Court or any court of competent jurisdiction Panhandle Eastern shall have the right (1) to the immediate appointment of a trustee to hold such contract rights or property subject to the purposes and provisions of this decree; (2) to immediate specific performance of any and all contracts with Columbia Gas; and (3) to immediate injunction, both temporary and final, as well as any other appropriate remedy at law or in equity, including any remedy hereunder."

Reference is made to Item 6, under the heading "Certain Other Phases of Corporate History", for a statement with respect to possible change in ownership of the Registrant's common stock and Class A and Class B preferred stock now held, as above stated, by Gano Dunn as Trustee for Columbia Oil & Gasoline Corporation.

HISTORY AND BUSINESS

5. Outline briefly the general character of the business done and intended to be done by the registrant and its subsidiaries.

The Registrant is engaged in the production, purchase, transmission and sale of natural gas, the major part of which is sold to gas transmission companies and to gas distribution companies for resale. The Registrant's principal natural gas transmission system, which was placed in practical operation in the early part of 1932, extends from the Amarillo gas field in the Texas Panhandle and from the Hugoton gas field in Southwestern Kansas through the States of Oklahoma, Kansas, Missouri and Illinois, to a point near Dana, Indiana, adjacent to the Illinois-Indiana boundary. The Registrant also operates, as a separate unit, a minor transmission system located in the general vicinity of Kansas City, Missouri.

The Registrant produces approximately one-half of its gas requirements and purchases the remainder from others.

under the indenture under which said First Mortgage and First Lien Bonds, Series A, 4½%, due March 1, 1952 are issued, sufficient funds for the redemption as aforesaid of all of said bonds outstanding and will authorize such corporate trustee to make immediate payment to the holders of such bonds against surrender of such bonds to such corporate trustee, of the redemption price thereof (100% of principal amount in the case of $1,498,000 principal amount of such bonds called for the sinking fund and 102% of principal amount in the case of the remaining $21,002,000 principal amount of such bonds, plus in both cases accrued interest to the redemption date).

29. **Give the information required below as to any property acquired or to be acquired in whole or in part, directly or indirectly, not in the ordinary course of business, in consideration of any of the securities registered or of all or any part of the proceeds thereof:**

(a) General character and location of such property.

(b) The names and addresses of the persons from whom acquired or to be acquired, specifying their relationship to the registrant, if any.

(c) The allocation of the consideration given or to be given in connection with each such acquisition, reasonably itemized.

Not applicable.

MANAGEMENT AND CONTROL

30. **(a) Names and addresses of all persons who are, or are chosen to become, directors and officers of the registrant. Indicate office held.**

Officers

Name	Address	Office
Joe D. Creveling	90 Broad Street, New York, N. Y.	President
Gerard J. Neuner	1221 Baltimore Avenue, Kansas City, Mo.	Vice-President in Charge of Operations
Robert D. Field	502 Amarillo Building, Amarillo, Texas	Vice-President
Leith V. Watkins	90 Broad Street, New York, N. Y.	Secretary and Controller
Louis F. Sperry	90 Broad Street, New York, N. Y.	Treasurer and Assistant Secretary
Norman F. Paxton	1221 Baltimore Avenue, Kansas City, Mo.	Assistant Secretary and Assistant Treasurer
Charley D. Jellings	1221 Baltimore Avenue, Kansas City, Mo.	Assistant Secretary
Raymond A. Ransom	90 Broad Street, New York, N. Y.	Assistant Secretary
William P. Clare, Jr.	44 Wall Street, New York, N. Y.	Vice-President
A. Turney Savage	44 Wall Street, New York, N. Y.	Assistant Secretary

Directors

Name	Address
Robert J. Bulkley	Bulkley Building, Cleveland, Ohio
Joe D. Creveling	90 Broad Street, New York, N. Y.
A. Faison Dixon	120 Broadway, New York, N. Y.
Gano Dunn	80 Broad Street, New York, N. Y.
William G. Maguire	120 Broadway, New York, N. Y.
Walter G. Mortland	400 Park Avenue, New York, N. Y.
Richard C. Patterson, Jr.	1270 Sixth Avenue, New York, N. Y.
Robert C. Winmill	One Wall Street, New York, N. Y.

(b) State as to each such person named or chosen to be a director or officer whether he has consented thereto.

All of the above named persons are now serving as indicated above.

NOTE. Reference is hereby made to Item 6, under the caption "Certain Other Phases of Corporate History", for a statement of the names of the seven persons agreed upon by the Department of Justice and Columbia Oil & Gasoline Corporation as the proposed new directors of Columbia Oil & Gasoline Corporation, certain of whom would be elected by Columbia Oil & Gasoline Corporation as directors of the Registrant, if the plan mentioned under said caption becomes effective. The Registrant has no information as to whether any or all of said seven persons have consented or will then consent to be directors of the Registrant.

31. **Describe briefly the business experience of the principal executive officers for the last five years.**

Joe D. Creveling, President, has been President of the Registrant since June 1936. Prior to that time he was in charge of all natural gas operations of Cities Service Company for approximately seventeen years.

Gerard J. Neuner, Vice-President in Charge of Operations, has been in the employ of the Registrant since June 1, 1931, first as Counsel and then as Vice-President and Counsel and later as Vice-President in Charge of Operations.

Leith V. Watkins, Secretary and Controller, has been in the employ of the Registrant since 1931, first as Assistant Secretary and Assistant Treasurer, then as Secretary and Treasurer, and since February 10, 1937, as Secretary and Controller. From June 7, 1934, to March 10, 1937, he was also Secretary and Treasurer of Columbia Oil & Gasoline Corporation and Secretary and Assistant Treasurer of its subsidiaries.

Louis F. Sperry, Treasurer and Assistant Secretary, has been in the employ of the Registrant as Treasurer since February 1937, and during the next preceding two years was Vice-President of the National Bank of New Jersey, New Brunswick, New Jersey, and during the next preceding two years [illegible] was Manager of Guaranty Company of New York, 31 Nassau Street, New York, N. Y.

32. **Dates of, parties to, and general effect briefly and concisely stated of all material management and general supervisory contracts now in effect providing for management of, or services to, the registrant.**

None.

33. **Give the information required below for all persons owning of record or beneficially more than ten per cent of any class of voting stock of the registrant.**

As of: December 31, 1940

Owner of Record Name and address	Beneficial Owner (if known) Name and address	Title of Issue	Amount Owned	Percent of the class
Gano Dunn, Trustee for Columbia Oil & Gasoline Corporation, appointed pursuant to Decree dated January 29, 1936 in Cause No. 1060 in Equity in the District Court of the United States for the District of Delaware, 80 Broad Street, New York, N. Y.		Common	404,326	50.1
	Columbia Oil & Gasoline Corporation, 822 Delaware Trust Building, Wilmington, Delaware	Preferred Class A	100,000	100
		Class B	[illegible]	100
Missouri-Kansas Pipe Line Company, Room 248, Delaware Trust Building, Wilmington, Delaware	Owner of Record is Beneficial Owner	Common	[illegible]	42.0

The notes in Item 4 (b) are hereby incorporated herein by reference.

EXHIBIT 106

HISTORICAL FINANCIAL INFORMATION

45. Furnish the information required below as to the respective captions on the registrant's balance sheet, the balance sheet of the registrant and its subsidiaries consolidated, and each individual or group balance sheet required to be furnished for unconsolidated subsidiaries:

(a) If, since January 1, 1922, there have been any increases or decreases in Investments, in Property, Plant and Equipment, or in Intangible Assets, resulting from substantially revaluing such assets, state:

(i) In what year or years such revaluations were made.

(ii) The amounts of such write-ups, or write-downs, and the accounts affected, including the contra entry or entries.

(iii) If in connection with such revaluations any adjustments were made in related reserve accounts, state the accounts and amounts with explanations.

On September 3, 1930 the Board of Directors of the Registrant authorized the revaluation of its gas sales and purchase contracts as determined by independent geologists and petroleum engineers engaged by the Registrant, which resulted in an increase in the asset account and a credit to capital surplus of $10,357,713.70. In March 1932, in accordance with a resolution of the Board of Directors of the Registrant on March 29, 1932, this entry recording the revaluation was reversed thereby eliminating such appreciation from the accounts of the Registrant.

(b) If, since January 1, 1922, there have been restatements of Capital Stock, state the amounts of such restatements, and the contra entries. If, since January 1, 1922, there has been an original issue of Capital Stock, any part of the proceeds of which was credited to surplus, state such amount.

The original authorized issue of 10,000 shares of no par value common stock of the Registrant was issued in consideration for a gas lease at an assigned value of $1,000 as approved by the Board of Directors on January 2, 1930.

On June 2, 1930, 5,100 shares of such common stock were donated to the Registrant, which shares were then reissued to Missouri-Kansas Pipe Line Company. In connection therewith, the Registrant recorded a charge against its open account with Missouri-Kansas Pipe Line Company in the amount of $50,000, wrote off the value of $1,000 originally assigned to gas leases and credited the remainder, $49,000, to capital surplus.

On October 28, 1930 the Board of Directors assigned a paid-in value of $100,000 to the 10,000 shares of stock outstanding and authorized a transfer of $99,000 from capital surplus to the capital stock account.

(c) If, since January 1, 1922, any substantial amount or amounts of Bond Discount and Expense, on issues still outstanding, have been written off earlier than as required under any periodic amortization plan, give the following information: (a) title of issue; (b) date of such write-off; (c) amount written off; (d) to what account charged.

None.

EXHIBIT 106.

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LETTER OF OPINION

Panhandle Eastern Pipe-Line Company,
Kansas City, Missouri.

We have reviewed the foregoing answers to Item 45 of this registration statement and, in connection therewith, we have made a review of the accounts recording property, plant and equipment, intangibles, reserves for depreciation, depletion and amortization, reserve for amortization of gas sales and purchase contracts, investments, reserve for investments, debt discount and expense and capital stock of the Registrant, for the period from December 23, 1929 (date of incorporation of Panhandle Eastern Pipe Line Company) to December 31, 1940.

In our opinion, based upon such review, the foregoing statement fairly presents the information required to be submitted in response to Item 45 as outlined in the Regulations of the Securities and Exchange Commission.

Kansas City, Missouri,
January 25, 1941.

ARTHUR ANDERSEN & CO.
Arthur Andersen & Co.

EXHIBIT 106.

AUDITORS' CERTIFICATE

We have examined the balance sheet of Panhandle Eastern Pipe Line Company (a Delaware corporation, hereinafter referred to as the "registrant") as of December 31, 1940, the consolidated balance sheet of the registrant and its subsidiaries as at that date, and the statements of income and surplus of registrant and its subsidiaries for the three years ended that date. In connection therewith we have examined or tested accounting records of the companies and other supporting evidence and have reviewed the system of internal control and the accounting procedures of the companies by methods and to the extent we deemed appropriate, but we did not make a detailed audit of the transactions.

In our opinion the accompanying balance sheets and related statements of income and surplus, together with the schedules and items referred to thereon, fairly present the financial position of the companies at December 31, 1940, and the results of their operations for the three years ended that date, in conformity with generally accepted accounting principles consistently maintained by the companies during the periods under review.

Kansas City, Missouri,
January 25, 1941.

ARTHUR ANDERSEN & CO.
Arthur Andersen & Co

EXHIBIT 106

BALANCE SHEET
REGISTRANT

PANHANDLE EASTERN PIPE LINE COMPANY

(A Delaware Corporation)

BALANCE SHEET—DECEMBER 31, 1940

ASSETS

Property, Plant and Equipment (Note A) (Schedule V)			$61,637,368.17
Intangibles (Note A) (Schedule VII):			
Gas sales and purchase contracts	$2,930,286.80		
Less—Reserve for amortization (Schedule VIII)	1,465,143.40	$ 1,465,143.40	
Gas sales contracts—Other, in process of amortization		372,006.38	
Organization expense		115,172.86	
Miscellaneous		64,427.72	2,016,750.36
Investments in and Non-Current Indebtedness of Subsidiary Companies, Subsidiaries Consolidated:			
Investments in capital stock (Note A) (Schedule III)		$ 2,694,391.86	
Note receivable (Note A) (Schedule III)		250,000.00	
Loan receivable (Schedule IV)		25,000.00	2,969,391.86
Current Assets:			
Cash in banks and working funds		$ 3,291,650.42	
Accounts receivable—			
Accounts receivable, customers	$1,120,126.62		
Due from subsidiary companies, subsidiaries consolidated	235,902.39		
Miscellaneous accounts receivable	50,605.04		
	$1,406,634.05		
Less—Reserve for uncollectible accounts (Schedule XII)	30,419.88	1,376,214.17	
Materials and supplies at average cost		208,009.96	4,875,874.55
Non-Current Notes and Accounts Receivable:			
Mortgage notes receivable		$ 61,024.05	
Accounts receivable		174,574.05	235,598.10
Special Deposits			9,028.00
Deferred Charges and Prepaid Expenses:			
Debt discount and expense in process of amortization (Note B)		$ 2,229,322.74	
Prepaid expenses		64,918.68	
Other deferred items		3,809.99	2,298,051.41
			$74,042,062.45

LIABILITIES

Capital Stock (Schedule XIII)		
Preferred stock, $6.00 cumulative, par value $100—entitled in liquidation to $110, aggregating $12,100,000 for the shares issued (Note C)—		
Class A, participating and redeemable—(Note C)—Authorized and issued, 100,000 shares	$10,000,000.00	
Class B, non-participating and non-redeemable—Authorized and issued, 10,000 shares	1,000,000.00	
Common stock, without par value—		
Authorized 810,000 shares		
Outstanding 807,367 shares (Note D)	20,184,175.00	$31,184,175.00
Long-Term Debt (Schedule IX)		
Funded debt:		
First Mortgage and First Lien Bonds, Series A, 4%, due March 1, 1952	$22,500,000.00	
Other long-term debt:		
Leasehold purchase obligation (payable monthly from gas produced, unpaid balance payable August 31, 1946)	30,149.00	22,530,149.00
Current Liabilities (Exclusive of sinking fund payment due within one year—$1,498,000)		
Accounts payable (Including payrolls of $25,583.22)	$ 364,164.24	
Preferred stock dividends payable January 1, 1941	165,000.00	
Accrued interest	300,000.00	
Accrued taxes—		
State, local and miscellaneous Federal	235,443.39	
Federal income and excess profits	2,037,671.38	3,102,279.01
Deferred Liabilities		44,351.74
Reserves:		
Depreciation, depletion, and amortization of property, plant and equipment—(Schedule VI)	$ 8,652,860.63	
Contingencies (Schedule XII)	624,800.94	
Miscellaneous (Schedule XII)	78,149.74	9,355,811.31
Contributions in Aid of Construction		34,335.40
Earned Surplus Since December 31, 1935 (Notes A and C) (See Page S-8)		7,790,960.99
Contingent Liabilities (Note E)		
		$74,042,062.45

Reference is made to the appended notes which are an integral part of the above balance sheet.

PANHANDLE EASTERN PIPE LINE COMPANY
(A Delaware Corporation)
AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1940

ASSETS

Property, Plant and Equipment (Note A) (Schedule V)			$6[illegible],854,956.[illegible]
Intangibles (Note A) (Schedule VII):			
Gas sales and purchase contracts	$2,930,286.40		
Less—Reserve for amortization (Schedule VIII)	1,465,143.00	$1,465,143.40	
Gas sales contracts—Other, in process of amortization		372,006.38	
Organization expense		116,291.98	
Miscellaneous		97,991.71	2,051,433.47
Current Assets:			
Cash in banks and working funds		$3,753,383.06	
Notes and accounts receivable—			
Notes receivable	$ 2,150.63		
Accounts receivable, customers	1,394,589.27		
Miscellaneous accounts receivable	54,654.54		
	$1,451,394.44		
Less—Reserve for uncollectible accounts (Schedule XII)	40,088.66	1,411,305.78	
Materials and supplies at average cost		212,314.42	5,377,003.26
Non-Current Notes and Accounts Receivable:			
Mortgage notes receivable		$ 61,024.05	
Accounts receivable		174,574.05	235,598.10
Special Deposits			9,125.75
Deferred Charges and Prepaid Expenses:			
Debt discount and expense in process of amortization (Note B)		$2,229,322.74	
Prepaid expenses		64,918.68	
Other deferred items		3,812.99	2,298,054.41
			$74,826,171.28

LIABILITIES

Capital Stock (Schedule XIII)	
Preferred stock, $6.00 cumulative, par value $100—entitled in liquidation to $110, aggregating $12,100,000 for the shares issued (Note C)—	
Class A, participating and redeemable—(Note C)—Authorized and issued, 100,000 shares	$10,000,00[illegible]
Class B, non-participating and non-redeemable—Authorized and issued, 10,000 shares	1,000,00[illegible]
Common stock, without par value—Authorized 810,000 shares; Outstanding 807,367 shares (Note D)	20,184,17[illegible]
Long-Term Debt (Schedule IX)	
Funded debt	
First Mortgage and First Lien Bonds, Series A, 4%, due March 1, 1952	$22,500,0[illegible]
Other long-term debt	
Leasehold purchase obligation (payable monthly from gas produced, unpaid balance payable August 31, 1946)	30,14[illegible]
Current Liabilities (Exclusive of sinking fund payment due within one year—$1,498,000)	
Accounts payable (Including payrolls of $26,767.0[illegible])	$ 323,02[illegible]
Preferred stock dividends payable January 1, 1941	165,00[illegible]
Accrued interest	300,00[illegible]
Accrued taxes—	
State, local and miscellaneous Federal	258,60[illegible]
Federal income and excess profits	2,075,271[illegible]
Deferred Liabilities	
Reserves:	
Depreciation, depletion and amortization of property, plant and equipment (Schedule VI)	$[illegible],189,501[illegible]
Contingencies (Schedule XII)	624,800[illegible]
Miscellaneous (Schedule XII)	107,408[illegible]
Contributions in Aid of Construction	
Earned Surplus Since December 31, 1935 (Notes A and C) (See Page S-[illegible])	
Contingent Liabilities (Note E)	

Reference is made to the appended notes which are an integral part of the above balance sheet

EXHIBIT 106.

BALANCE SHEET NOTES
REGISTRANT AND CONSOLIDATED

4083

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES

NOTES TO THE BALANCE SHEETS ATTACHED TO AND MADE AN INTEGRAL PART OF THE BALANCE SHEET (REGISTRANT ONLY) AND OF THE CONSOLIDATED BALANCE SHEET

As of December 31, 1940

A. (1) Property, plant and equipment is stated at cost except for $2,417,948.52 thereof assigned by the Board of Directors to assets acquired as of August 31, 1930 as a capital contribution, and intangibles are stated at cost except for $2,398,402.19 thereof assigned by the Board of Directors to gas sales and purchase contracts acquired as of August 31, 1930 as a capital contribution.

(2) Investments in subsidiary companies are stated at cost. Securities representing the Registrant's investment in subsidiary companies are pledged as collateral to the First Mortgage and First Lien Bonds, as follows:

Illinois Natural Gas Company, common stock, no-par value, 28,000 shares	$2,635,391.43
Central Distributing Company, common stock, no-par value, 100 shares	59,000.48
Central Distributing Company, income demand note	250,000.00

In January, 1941, the Registrant received 807,367 shares of common stock, of a par value of 42 cents each, of Central Distributing Company in exchange for its former investment in that company (represented by no par common stock of $59,000.48, a note receivable of $250,000.00 and a demand loan of $25,000.00) and $5,093.71 additional cash investment. These shares were then distributed as a dividend to the Registrant's common stockholders, on a share for share basis, with a concurrent charge to earned surplus of $339,094.14.

(3) The amounts at which property, plant and equipment, intangibles and investments in subsidiary companies are stated do not purport to represent the current realizable value thereof.

B. Debt discount and expense in process of amortization at December 31, 1940 consists of:

Discount and expense applicable to bond issue redeemed prior to original maturity of October 1, 1950 in process of amortization over the original life of such issue	$ 898,578.76
Items being amortized on the basis of bonds outstanding over the life of the First Mortgage and First Lien Bonds due March 1, 1952—	
Call premium on retired issue	533,736.55
Discount and expense on present outstanding issue	797,007.43
	$2,229,322.74

C. Surplus is restricted by the Certificate of Incorporation as to payment of common stock and participating dividends, in the amount of $3,041,457.38. In the opinion of counsel for the Registrant, the requirements of Delaware law impose no restrictions on surplus by reason of the excess ($1,100,000 at December 31, 1940) of the liquidating value over the par value of its preferred stock. Class A preferred stock may be redeemed at any time in whole or in part at $100 per share if redeemed on or before July 1, 1941 or $110 per share thereafter.

D. At December 31, 1940 there were 1,285 unissued shares available for exercise of purchase option at $25.00 a share.

E. Contingent liabilities:

Effective January 1, 1940, the Registrant adopted a retirement annuity plan for employees (including officers) who had not attained age sixty-five on that date, by means of a group annuity contract with a life insurance company, which provides, among other things, for (a) premium payments in respect of current annuities and (b) the purchase by payments over a period of years of additional annuities based on age and length of prior employment, both at the expense of the Registrant. Amounts charged to the income accounts for the year 1940 aggregated $168,700 of which $100,000 applied to past service annuities. The total cost of the additional annuities based on length of prior employment may vary according to the dates of payments but is estimated by the Registrant at approximately $630,000 (based on a payment period of approximately twenty years). The plan by its terms is subject to change or discontinuance by the Registrant at any time.

Unrecorded items in dispute aggregate approximately $60,000. The Registrant represents that there were no other contingent liabilities not reflected in the balance sheet at December 31, 1940, except those set forth in contracts for the purchase and sale of gas.

F. In the consolidated balance sheet the accounts of all subsidiaries of the Registrant have been consolidated with the accounts of the Registrant. The Registrant's equity in the net assets of such subsidiaries, as shown by the books of the latter, exceeds the aggregate investment in subsidiaries consolidated, as shown in the Registrant's books, by $132,006.22, representing undistributed earnings of subsidiaries since dates of acquisition which has been credited to earned surplus in consolidation.

EXHIBIT 106.

INCOME ACCOUNT
CONSOLIDATED

4385

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED INCOME

For the Years Ended December 31, 1938, 1939 and 1940

	Year Ended December 31, 1938	1939	1940
Operating Revenues:			
Gas sales	$9,540,[illegible]67.85	$11,461,388.31	$13,157,241.73
Gasoline sales	353,12[illegible]	513,940.99	355,722.01
Miscellaneous	13,032.46	21,439.93	12,489.05
Total operating revenues	$9,907,129.02	$11,996,769.23	$13,535,452.79
Operating Expenses and Taxes:			
Operation—			
Gas purchased	$ 901,927.86	$ 997,872.93	$ 1,090,106.83
Rents and royalties (Schedule XVI)—			
Rentals on unoperated gas leases	94,726.03	96,118.77	101,344.57
Gas royalties	92,404.27	[illegible]8,813.56	143,341.99
Miscellaneous rents	28,409.52	29,076.25	35,665.19
General and administrative expenses	399,832.93	431,112.47	672,377.71
Provision for uncollectible accounts	6,400.00	8,400.00	10,800.00
Other operation expenses	645,594.35	718,033.17	727,113.61
General overheads charged to construction—credit*			57,380.03*
Total operation	$2,169,294.96	$ 2,399,426.95	$ 2,723,369.87
Maintenance (Note C) (Schedule XVI)	217,207.07	299,483.39	277,394.65
Depreciation, depletion and amortization of property, plant and equipment (Note A) (Schedule XVI)	1,728,687.16	1,870,699.86	1,880,889.87
Amortization of gas sales and purchase contracts (Note B) (Schedule XVI)	326,892.84	329,300.14	329,110.13
Taxes—			
State, local and miscellaneous Federal (Schedule XVI)	362,839.32	624,338.14	566,445.71
Provision for income and excess profits taxes—			
Federal normal income and $561,000.00 for excess profits taxes in 1940	513,426.21	820,286.12	1,907,598.47
Other income taxes—State	15,048.84	51,139.69	46,425.77
Total operating expenses and taxes	$5,533,316.40	$ 6,394,674.29	$ 7,821,234.47
Net earnings from operations	$4,373,812.62	$ 5,602,094.94	$ 5,714,218.32
Other Income:			
Other interest	13,172.56	13,884.90	13,427.53
Net earnings before interest deductions	$4,386,985.18	$ 5,615,979.84	$ 5,727,645.85
Interest Deductions:			
Interest on funded debt	$ 944,233.34	$ 923,333.32	$ 903,333.32
Other interest deductions	65,129.11	14,394.31	2,787.11
Amortization of debt discount and expense (Note E)	319,676.50	314,852.87	310,029.24
Interest charged to construction—credit*	1,277.51*	—	36,827.80*
Total interest deductions	$1,327,761.44	$ 1,252,580.50	$ 1,179,321.87
Net income	$3,059,223.74	$ 4,363,399.34	$ 4,548,323.98

* Denotes red figure

Reference is made to the appended notes which are an integral part of the above income account

EXHIBIT 106.

INCOME ACCOUNT NOTES
CONSOLIDATED.

4987

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES

NOTES TO THE INCOME ACCOUNT
ATTACHED TO AND MADE A PART OF THE CONSOLIDATED INCOME ACCOUNT

For the Years Ended December 31, 1938, 1939, and 1940

A The amounts provided by the Registrant and its subsidiaries for depreciation, depletion and
amortization of property, plant and equipment are fixed annually in accordance with resolutions
of the Board of Directors. Specific rates based upon the age and estimated life of the properties
were not used in determining the amounts. The management has been informed by P. McDonald
Biddison, an independent consulting engineer of Dallas, Texas, that, in his opinion, the annual
amounts provided for depreciation, depletion and amortization were reasonable for this purpose.
The provisions for the years 1938, 1939, and 1940 were equal to 2.98%, 3.20% and 3.16% of
consolidated property, plant and equipment accounts at the beginning of the respective years. The
Registrant's Certificate of Incorporation, as amended, provides substantially that no dividends
on the common stock or any participating dividends on the preferred and common stocks may
be paid except out of net surplus earned subsequent to December 31, 1935 remaining after there
shall have been deducted therefrom as provisions for depreciation, depletion and amortization
of property, plant and equipment, an aggregate accrual equal to one-third of 1% per month (on
monthly balances) of the consolidated tangible property of the Registrant and its subsidiaries.
The provisions for depreciation, depletion and amortization of tangible property as computed in
accordance with the Registrant's Certificate of Incorporation would have amounted to
$2,337,597.71, $2,354,588.33 and $2,378,393.37 for the years 1938, 1939, and 1940, respectively.
The amounts claimed by the Registrant and its subsidiaries for depreciation for Federal income
tax purposes are larger than the provisions as set forth in the income account.

B The Registrant has provided amortization of gas sales and purchase contracts in the amount of
$24,419.05 per month, which will extinguish the net ledger balance at December 31, 1935
($2,930,286.40) over a period of ten years. Of the original amount of gas sales contracts—other,
$371,076.00 is being amortized over a period of fifteen years from January 1, 1937 and the
remainder is being amortized primarily over the lives of the respective contracts. No provision
has been made for the amortization of organization expense and miscellaneous intangibles.

C It is the practice of the Registrant to charge to maintenance the repairs of property and replacements and renewals of items determined to be less than units of property. Replacements and
renewals of items considered to be units of property are charged to the property, plant and equipment accounts. At the time properties are disposed of, the cost (or estimated cost), less net salvage value, of property retired is charged to the reserve for depreciation, depletion and amortization of property, plant and equipment.

D No profits or losses on sales or other charges to parents or subsidiaries of the Registrant are
included in the consolidated income accounts. Inter-company revenues have been eliminated in
consolidation.

E Consists of—

	1938	1939	1940
Amortization of debt discount and expense on issue due October 1, 1950 redeemed May 1, 1937	$ 92,161.80	$ 92,161.80	$ 92,161.80
Amortization of call premium applicable to above issue	91,251.89	89,317.23	87,382.56
Amortization of debt discount and expense on present outstanding issue	136,262.81	133,373.84	130,484.88
	$319,676.50	$314,852.87	$310,029.24

EXHIBIT 106.

SCHEDULE VII
REGISTRANT

PANHANDLE EASTERN PIPE LINE COMPANY

SCHEDULE VII—INTANGIBLE ASSETS

Column A	Column B	Column C	Column D		Column E	Column F
			Deductions			
Description	Balance at Beginning of Period	Additions at Cost	(1) Charged to Profit and Loss or Income	(2) Charged to Other Accounts	Other Changes Debit and/or Credit	Balance at Close of Period
Year Ended December 31, 1938:						
Gas sales and purchase contracts	$2,930,286.40	$ —	—	$ —	$ —	$2,930,286.40
Gas sales contracts—other	358,658.20	76,649.11(B)	—	33,864.24(C)	—	401,443.07
Organization expense	8[illegible]979.09	—	—	—	25,193.77(D)	115,172.86
Miscellaneous	49,8[illegible]	—	—	—	14,614.3[illegible](D)	64,427.72
Total (Note A)	$3,428,737.10	$ 76,649.11	—	$ 33,864.24	$ 39,808.08	$3,511,330.05
Year Ended December 31, 1939:						
Gas sales and purchase contracts	$2,930,286.40	$ —	—	$ —	$ —	$2,930,286.40
Gas sales contracts—other	401,443.07	21,025.47(B)	—	36,271.54(C)	—	386,197.00
Organization expense	115,172.86	—	—	—	—	115,172.86
Miscellaneous	64,427.72	—	—	—	—	64,427.72
Total (Note A)	$3,511,330.05	$ 21,025.47	—	$ 36,271.54	$ —	$3,496,083.98
Year Ended December 31, 1940:						
Gas sales and purchase contracts	$2,930,286.40	$ —	—	$ —	$ —	$2,930,286.40
Gas sales contracts—other	386,197.00	24,427.59(B)	—	36,081.53(C)	2,536.68*(E)	372,006.38
Organization expense	115,172.86	—	—	—	—	115,172.86
Miscellaneous	64,427.72	—	—	—	—	64,427.72
Total (Note A)	$3,496,083.98	$ 24,427.59	—	$ 36,081.53	$ 2,536.68*	$3,481,893.36

* Denotes red figure.

NOTES:

A. See Note A to the balance sheets for statement of the basis on which intangibles are stated.
B. Expenditures in connection with securing gas sales contracts consisting of cost in connection with changing over to natural gas, services of special agents, contributions for line extensions to serve industrial customers, etc.
C. Reserve for amortization of gas sales contracts—other, applied in reduction of the asset account.
D. Amounts of intangibles taken over in liquidation of Panhandle Illinois Pipe Line Company, a subsidiary.
E. Refund of expenditures in connection with securing gas sales contracts.

EXHIBIT 106.

SCHEDULE VII CONSOLIDATED

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE VII—INTANGIBLE ASSETS

Column A	Column B	Column C	Column D		Column E	Column F
			Deductions			
Description	Balance at Beginning of Period	Additions at Cost	(1) Charged to Profit and Loss or Income	(2) Charged to Other Accounts	Other Changes Debit and/or Credit	Balance at Close of Period
Year Ended December 31, 1938:						
Gas sales and purchase contracts	$2,930,286.40	$ —	—	$ —	—	$2,930,286.40
Gas sales contracts—other	358,658.20	76,649.11(B)	—	33,864.24(C)	—	401,443.07
Organization expense	116,291.98	—	—	—	—	116,291.98
Miscellaneous	97,991.71	—	—	—	—	97,991.71
Total (Note A)	$3,503,228.29	$ 76,649.11	—	$ 33,864.24	—	$3,546,013.16
Year Ended December 31, 1939:						
Gas sales and purchase contracts	$2,930,286.40	$ —	—	$ —	—	$2,930,286.40
Gas sales contracts—other	401,443.07	21,025.47(B)	—	36,271.54(C)	—	386,197.00
Organization expense	116,291.98	—	—	—	—	116,291.98
Miscellaneous	97,991.71	—	—	—	—	97,991.71
Total (Note A)	$3,546,013.16	$ 21,025.47	—	$ 36,271.54	—	$3,530,767.09
Year Ended December 31, 1940:						
Gas sales and purchase contracts	$2,930,286.40	$ —	—	$ —	$ —	$2,930,286.40
Gas sales contracts—other	386,197.00	24,427.59(B)	—	36,081.53(C)	2,536.68*(D)	372,006.38
Organization expense	116,291.98	—	—	—	—	116,291.98
Miscellaneous	97,991.71	—	—	—	—	97,991.71
Total (Note A)	$3,530,767.09	$ 24,427.59	—	$ 36,081.53	$ 2,536.68*	$3,516,576.47

* Denotes red figure.

NOTES:

A. See Note A to the balance sheets for statement of the basis on which intangibles are stated.

B. Expenditures in connection with securing gas sales contracts consisting of cost in connection with changing over to natural gas, services of special agents, contributions for line extensions to serve industrial customers, etc.

C. Reserve for amortization of gas sales contracts—other, applied in reduction of the asset account.

D. Refund of expenditures in connection with securing gas sales contracts.

EXHIBIT 106.

SCHEDULE VIII
REGISTRANT AND CONSOLIDATED

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE VIII—RESERVES FOR DEPRECIATION AND AMORTIZATION OF INTANGIBLE ASSETS

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of period	(1) Charged to Profit and Loss or Income (See Note A)	(2) Charged to Other Accounts	Deductions From Reserves	Balance at Close of Period
Registrant and Consolidated:					
Year ended December 31, 1938:					
Gas sales and purchase contracts	$ 586,057.20	$293,028.60	$ —		$ 879,085.80
Gas sales contracts—other		33,864.24		$ 33,864.24 (B)	
	$ 586,057.20	$326,892.84	$ —	$33,864.24	$ 879,085.80
Year ended December 31, 1939:					
Gas sales and purchase contracts	$ 879,085.80	$293,028.60	$ —		$1,172,114.40
Gas sales contracts—other		36,271.54		$ 36,271.54 (B)	
	$ 879,085.80	$329,300.14	$ —	$36,271.54	$1,172,114.40
Year ended December 31, 1940:					
Gas sales and purchase contracts	$1,172,114.40	$293,028.60	$ —		$1,465,143.00
Gas sales contracts—other		36,081.53		$ 36,081.53 (B)	
	$1,172,114.40	$329,110.13	$ —	$36,081.53	$1,465,143.00

NOTES:

A. See Note B to the income account for basis of amortization of gas sales and purchase contracts.

B. Application of the accumulated reserve for amortization of gas sales contracts—other, as reduction of the asset account.

C. It has not been the policy of the Registrant to provide for amortization of organization expense and miscellaneous intangibles set forth in Schedule VII.

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE IX—FUNDED DEBT

AS OF DECEMBER 31, 1940

Column A	Column B	Column C	Column D		Column E	Column F	Column G	Column H	
			Amount Included in Column C, Which Is					Amount Held by Affiliates for Which Statements are Filed Herewith	
Name of Issuer and Title of Each Issue	Amount Authorized by Indenture	Amount Issued and Not Retired or Cancelled	(1) Held by or for Account of Issuer Thereof	(2) Not Held by or for Account of Issuer Thereof	Amount Included in Sum Extended Under Caption "Funded Debt" in Related Balance Sheet	Amount in Sinking and Other Special Funds of Issuer Thereof	Amount Pledged by Issuer Thereof	(1) Persons Included in Consolidated Statement	(2) Others
Registrant and Consolidated:									
Panhandle Eastern Pipe Line Company—First Mortgage and First Lien Bonds, Series A, 4%, due March 1, 1952	(A)	$22,500,000.00	None	$22,500,000.00	$22,500,000.00	None	None	None	None
Leasehold Purchase Obligation (B)	62,000.00	30,149.00	None	30,149.00	30,149.00	None	None	None	None

NOTE

(A) Under the provisions of the Mortgage and Deed of Trust dated March 1, 1937, securing the Registrant's First Mortgage and First Lien Bonds, Series A, 4%, due March 1, 1952, not more than $24,000,000 principal amount of Series A Bonds may be issued. The aggregate principal amount of all bonds which may be issued under said Mortgage and Deed of Trust is $35,000,000.

(B) Payable monthly from gas produced, unpaid balance payable August 31, 1946.

EXHIBIT 106.

SCHEDULE XII
REGISTRANT

PANHANDLE EASTERN PIPE LINE COMPANY

SCHEDULE XII—RESERVES

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	(1) Charged to Profit and Loss or Income	(2) Charged to Other Accounts	Deductions from Reserves	Balance at at Close of Period
Year Ended December 31, 1938:					
Reserve for investment in subsidiary companies	$1,221,811.90	$ —	$ —	$1,221,811.90(B)	$ —
Reserve for uncollectible accounts	6,680.87	3,600.00	8,196.00(C)	16.49	18,460.38
Total reserves deducted from assets to which they apply	$1,228,492.77	$ 3,600.00	$ 8,196.00	$1,221,828.39	$ 18,460.38
Contingencies reserve	$ 96,800.94	$ —	$328,000.00(A)	$ —	$ 424,800.94
Miscellaneous—					
Reserve for injuries and damages	33,171.69	9,600.00	14,392.49(C)	—	57,164.18
Contributions for extensions	29,100.32	—	—	—	29,100.32
Total—classified as liabilities on balance sheet	$ 159,072.95	$ 9,600.00	$342,392.49	$ —	$ 511,065.44
Year Ended December 31, 1939:					
Reserve for uncollectible accounts	$ 18,460.38	$ 4,800.00	$ —	$ 37.50	$ 23,222.88
Contingencies reserve	$ 424,800.94	$ —	$200,000.00(A)	$ —	$ 624,800.94
Miscellaneous—					
Reserve for injuries and damages	57,164.18	9,600.00	—	550.00	66,214.18
Contributions for extensions	29,100.32	—	—	—	29,100.32
Total—classified as liabilities on balance sheet	$ 511,065.44	$9,600.00	$200,000.00	$ 550.00	$ 720,115.44
Year Ended December 31, 1940:					
Reserve for uncollectible accounts	$ 23,222.88	$ 7,200.00	$ —	$ 3.00	$ 30,419.88
Contingencies reserve	$ 624,800.94	$ —	$ —	$ —	$ 624,800.94
Miscellaneous—					
Reserve for injuries and damages	66,214.18	12,000.00	—	64.44	78,149.74
Contributions for extensions	29,100.32	—	—	29,100.32(D)	—
Total—classified as liabilities on balance sheet	$ 720,115.44	$12,000.00	$ —	$ 29,164.76	$ 702,950.68

NOTES:

A. Excess of 1937 provisions for Federal and State Income Taxes over revised estimated liability therefor transferred to the reserve for contingencies.
B. Elimination of reserve for investment in Panhandle Illinois Pipe Line Company upon liquidation of this subsidiary and acquisition of its net assets by the Registrant.
C. Reserves acquired in liquidation of Panhandle Illinois Pipe Line Company, a subsidiary.
D. Transfer from reserve classification to "Contributions in Aid of Construction" as of January 1, 1940.

EXHIBIT 106.

SCHEDULE XII
CONSOLIDATED

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE XII—RESERVES

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	(1) Charged to Profit and Loss or Income	(2) Charged to Other Accounts	Deductions from Reserves	Balance at Close of Period
Year Ended December 31, 1938:					
Reserve for uncollectible accounts	$ 15,405.64	$ 6,400.00	$ 146.80	$ 584.51	$ 21,367.93
Contingencies reserve	$ 96,800.94	$ —	$328,000.00 (A)	$ —	$424,800.94
Miscellaneous—					
Reserve for injuries and damages	60,664.18	14,400.00	—	—	75,064.18
Contributions for extensions	29,100.32	—	—	—	29,100.32
Total—classified as liabilities on balance sheet	$186,565.44	$14,400.00	$328,000.00	$ —	$528,965.44
Year Ended December 31, 1939:					
Reserve for uncollectible accounts	$ 21,367.93	$ 8,400.00	$ 100.09	$ 344.13	$ 29,523.89
Contingencies reserve	$424,800.94	$ —	$200,000.00 (A)	$ —	$624,800.94
Miscellaneous—					
Reserve for injuries and damages	75,064.18	14,400.00	—	550.00	88,914.18
Contributions for extensions	29,100.32	—	7,196.51 (B)	—	36,296.83
Total—classified as liabilities on balance sheet	$528,965.44	$14,400.00	$207,196.51	$ 550.00	$750,011.95
Year Ended December 31, 1940:					
Reserve for uncollectible accounts	$ 29,523.89	$10,800.00	$ 158.51	$ 393.74	$ 40,082.66
Contingencies reserve	$624,800.94	$ —	$ —	$ —	$624,800.94
Miscellaneous—					
Reserve for injuries and damages	88,914.18	18,600.00	—	105.81	107,408.37
Contributions for extensions	36,296.83	—	—	36,296.83 (C)	—
Total—classified as liabilities on balance sheet	$750,011.95	$18,600.00	$ —	$36,402.64	$732,209.31

NOTES:

A. Excess of 1937 provisions for Federal and State Income Taxes over revised estimated liability therefor transferred to the reserve for contingencies.
B. Non-refundable contributions for extensions.
C. Transfer from reserve classification to "Contributions in Aid of Construction" as of January 1, 1940.

EXHIBIT 106.

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SCHEDULE XIII
REGISTRANT AND CONSOLIDATED

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE XIII—CAPITAL SHARES

AS OF DECEMBER 31, 1940

Column A	Column B	Column C	Column D		Column E		Column F		Column G	Column H
			Number of Shares Included in Column C Which Are		Shares Outstanding as Shown on or Included in Related Balance Sheet Under Caption "Capital Shares"		Number of Shares Held by Affiliates for Which Statements Are Filed Herewith			
Name of Issuer and Title of Issue	Number of Shares Authorized by Charter	Number of Shares Issued and Not Retired or Cancelled	(1) Held by or for Account of Issuer Thereof	(2) Not Held by or for Account of Issuer Thereof	(1) Number	(2) Amount at Which Carried	(1) Persons Included in Consolidated Statements	(2) Others	Number of Shares Reserved for Officers and Employees	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights
Registrant and Consolidated:										
Panhandle Eastern Pipe Line Company—										
Preferred Stock—(Note A)										
Class A	100,000	100,000	None	100,000	100,000	$10,000,000.00	None	None	None	None
Class B	10,000	10,000	None	10,000	10,000(B)	1,000,000.00	None	None	None	None
Common Stock	810,000	807,367	None	807,367	807,367	20,184,175.00	None	None	None	1,285(C)
						$31,184,175.00				

NOTE

(A) Preferential dividends cumulative at the rate of $6.00 per share per annum. Holders of Class A preferred stock are entitled to receive, in addition to preferential dividends, participating dividends after certain conditions are met in regard to dividends on common stock. Preferred stocks (Class A and B) are entitled in liquidation to $110 per share.

(B) The three members of the Registrant's Board of Directors representing thereon Missouri-Kansas Pipe Line Company have voted against the payment of dividends on the Registrant's Class B Preferred Stock on the ground that such stock is not validly outstanding. In the opinion of Edward N. Goodwin, Esq., General Counsel for the Registrant, such stock is validly outstanding. A copy of such opinion is filed herewith as Exhibit G to this Registration Statement, to which opinion reference is hereby made.

(C) Reference is hereby made to Item 6, under the heading "Certain Other Phases of Corporate History", for a description of certain litigation concerning an obligation of Columbia Oil & Gasoline Corporation to purchase 1,285 shares of common stock of the Registrant.

·EXHIBIT 106·

SCHEDULE XVI
CONSOLIDATED

PANHANDLE EASTERN PIPE LINE COMPANY
AND SUBSIDIARY COMPANIES

SCHEDULE XVI—SUPPLEMENTARY INCOME ACCOUNT INFORMATION

Column A	Column B		Column C		Column D
	Charged Directly to Profit and Loss		Charged to Other Accounts		
Item	(1) To Costs or Operating Expenses	(2) Other	(1) Account	(2) Amount	Total
Year Ended December 31, 1938:					
Maintenance and repairs (Note A)	$ 217,207.07	—	—	—	$ 217,207.07
Depreciation, depletion and amortization of property, plant and equipment (Note A)	1,728,607.16	—	—	—	1,728,607.16
Amortization of gas sales and purchase contracts	326,892.84	—	—	—	326,892.84
Taxes (other than income and excess profits taxes)—					
Ad valorem	444,099.22	—	—	—	444,099.22
Other	118,740.10	—	—	—	118,740.10
Total taxes	$562,839.32	—	—	—	$ 562,839.32
Management and service contract fees	—	—	—	—	—
Rents and royalties (Note B)—					
Rentals on unoperated gas leases	94,726.03	—	—	—	94,726.03
Miscellaneous rents	28,409.52	—	—	—	28,409.52
Gas royalties	92,404.27	—	—	—	92,404.27
Year Ended December 31, 1939:					
Maintenance and repairs (Note A)	$ 299,483.39	—	—	—	$ 299,483.39
Depreciation, depletion and amortization of property, plant and equipment (Note A)	1,870,699.86	—	—	—	1,870,699.86
Amortization of gas sales and purchase contracts	329,300.14	—	—	—	329,300.14
Taxes (other than income and excess profits taxes)—					
Ad valorem	475,573.61	—	—	—	475,573.61
Other	148,764.53	—	—	—	148,764.53
Total taxes	$ 624,338.14	—	—	—	$ 624,338.14
Management and service contract fees	—	—	—	—	—
Rents and royalties (Note B)—					
Rentals on unoperated gas leases	96,118.77	—	—	—	96,118.77
Miscellaneous rents	29,076.25	—	—	—	29,076.25
Gas royalties	118,813.36	—	—	—	118,813.36
Year Ended December 31, 1940:					
Maintenance and repairs (Note A)	$ 277,394.65	—	—	—	$ 277,394.65
Depreciation, depletion and amortization of property, plant and equipment (Note A)	1,880,889.87	—	—	—	1,880,889.87
Amortization of gas sales and purchase contracts	329,110.13	—	—	—	329,110.13
Taxes (other than income and excess profits taxes)—					
Ad valorem	437,745.73	—	—	—	437,745.73
Other	128,699.98	—	Construction Work in Progress	$6,012.46	134,712.44
Total taxes	$ 566,445.71	—	—	$6,012.46	$ 572,458.17
Management and service contract fees	—	—	—	—	—
Rents and royalties (Note B)—					
Rentals on unoperated gas leases	101,344.57	—	—	—	101,344.57
Miscellaneous rents	35,665.19	—	—	—	35,665.19
Gas royalties	143,341.99	—	—	—	143,341.99

NOTES:

A. Maintenance and repairs, and provisions for depreciation, depletion and amortization, are exclusive of automobile maintenance, repairs and depreciation charged to the automobile expense clearing account and redistributed, together with various other charges, to various operating, construction and other accounts.

B. Rents, for the years 1938 and 1939, do not include certain rents, the aggregate amount of which is not significant, which are included in various operating expenses but not identified as rents; these rents, however, are segregated as such for the year 1940.

5005

A-11488

EXHIBIT 107.

COMMITTEE ON STOCK LIST
NEW YORK STOCK EXCHANGE

PANHANDLE EASTERN PIPE LINE COMPANY

FIRST MORTGAGE AND FIRST LIEN 3% BONDS, SERIES B, DUE NOVEMBER 1, 1960

New York, New York, February 28, 1941

Panhandle Eastern Pipe Line Company (hereinafter sometimes referred to as the "Company") hereby makes application for the listing on the New York Stock Exchange of $12,000,000 principal amount of its First Mortgage and First Lien 3% Bonds, Series B, dated November 1, 1940, and due November 1, 1960, all of which are now outstanding. Reference is made to the Company's previous application A-10896, dated May 14, 1937.

OPINION OF COUNSEL

Edward N. Goodwin, Esq., 44 Wall Street, New York, New York, General Counsel of the Company, has furnished an opinion that the Mortgage and Deed of Trust, dated November 1, 1940 between the Company and City Bank Farmers Trust Company, as Corporate Trustee, is in due and legal form and constitutes a valid, legal and binding obligation of the Company and that the First Mortgage and First Lien 3% Bonds, Series B, secured thereby are valid and binding obligations of the Company payable in accordance with their terms.

STATUS UNDER FEDERAL ACTS

The $12,000,000 principal amount of First Mortgage and First Lien 3% Bonds, Series B, for which listing application is hereby made, have been registered under the Securities Act of 1933, as amended (File No. 2-4379 of the Securities and Exchange Commission). The Registration Statement (Form A-2) therefor became effective on January 29, 1941.

Application is being filed with the Securities and Exchange Commission on Form 8A for registration of these bonds on the New York Stock Exchange in accordance with the provisions of the Securities and Exchange Act of 1934, as amended.

The Mortgage and Deed of Trust securing these bonds has been qualified under and conforms with the requirements of the Trust Indenture Act of 1939 and the rules and regulations of the Securities and Exchange Commission adopted under said Act.

The Company is exempt from the Public Utility Holding Company Act of 1935 with respect to the issue, sale and delivery of these bonds.

DEPRECIATION POLICY

The formulae consistently used by the Company and its Subsidiary Companies beginning with the year 1937 to develop an amount to be recommended to the Board of Directors as a proper provision for depreciation, depletion and amortization gives consideration to the "wasting asset" theory and provides depletion on operated leaseholds on the basis of units of gas withdrawn, amortization of investment in unoperated land rights by the use of a composite life of ten years for such land rights, amortization of gas sales and purchase contracts at a specific monthly rate as provided in the Company's Certificate of Incorporation and in amounts to conform to the contract period in certain instances, and an amount for the other transmission system properties determined by its Board of Directors which recognizes amortization in addition to a composite rate based on the age and estimated life of the properties. The propriety of the aggregate annual provision, as well as the reasonableness of the total reserves provided to date, has been substantiated by an opinion from an independent Consulting Engineer. Unless required to do otherwise by some regulatory authority of competent jurisdiction the Company expects to continue this policy.

[fol. 14732] (Exhibit 108.)

P. McDonald Biddison
Consulting Engineer
Dallas Gas Building
Dallas, Texas

December 13th, 1937.

Mr. N. F. Paxton, Assistant Secretary,
Panhandle Eastern Pipe Line Company,
101 West 11th Street,
Kansas City, Missouri.

Provision for Retirements, Depletion and Amortization for Year 1938.

Dear Mr. Paxton:

In keeping with your request I have observed and compared the amount which the officers of the Panhandle Eastern Pipe Line Company expect to suggest as the proper provision for retirements, depletion and amortization on a consolidated basis for the year 1938 and have found this amount, $2,055,000.00, is within approximately $60,000.00 of the amount I consider proper and shall include in the report on the valuation of Panhandle System properties which I have now in process of completion.

From this examination and comparison I can state that if the company's present plan for making such provision is continued, the annual amount for future years will be approximately equal to that of my estimate.

Yours very truly,

P. McDONALD BIDDISON,
Consulting Engineer.

PMcDB/1

[fol. 14733] (Exhibit 109.)

P. McDonald Biddison
Consulting Engineer
Dallas Gas Building
Dallas, Texas

December 29th, 1938

Mr. N. F. Paxton, Assistant Secretary,
Panhandle Eastern Pipe Line Company,
101 West Eleventh Street,
Kansas City, Missouri.

Provision for Retirements, Depletion and Amortization

Dear Mr. Paxton:

In keeping with your request, I have reviewed the amounts which the officers of Panhandle Eastern Pipe Line Company have suggested as a proper provision for retirements, depletion and amortization on a consolidated basis for the year 1939 and have found this amount, $2,100,000, (which includes provision for amortization of Gas Sales and Purchase Contracts) to be a reasonable provision for depreciation, depletion and amortization based on the estimated life of the properties. Further, in my opinion, the reserves for retirements, depletion and amortization at December 31, 1938, are reasonable reserves based on age and estimated life of the properties.

Yours very truly,

P. McDONALD BIDDISON,
Consulting Engineer.

PMcDB/1

[fol. 14734]

(Exhibit 110.)

P. McDonald Biddison
Consulting Engineer
Dallas Gas Building
Dallas, Texas

December 8th, 1939.

Mr. G. J. Neuner, Vice President,
Panhandle Eastern Pipe Line Company,
101 West Eleventh Street,
Kansas City, Missouri.

Provision for Retirements, Depletion and Amortization

Dear Mr. Neuner:

In keeping with your request, I have reviewed the amounts which the officers of Panhandle Eastern Pipe Line Company have suggested as a proper provision for retirements, depletion and amortization on a consolidated basis for the year 1940 and have found this amount, $2,200,000, (which includes provision for amortization of Gas Sales and Purchase Contracts) to be a reasonable provision for depreciation, depletion and amortization based on the estimated life of the properties. Further, in my opinion, the reserves for retirements, depletion and amortization at December 31, 1939, are reasonable reserves based on age and estimated life of the properties.

Yours very truly,

P. McDONALD BIDDISON,
Consulting Engineer.

PMcDB:

[fol. 14735]

(Exhibit 111.)

P. McDonald Biddison
Consulting Engineer
Dallas Gas Building
Dallas, Texas

January 11th, 1941.

Mr. G. J. Neuner, Vice President,
Panhandle Eastern Pipe Line Company,
101 West Eleventh Street,
Kansas City, Missouri.

Provision for Retirements, Depletion and Amortization

Dear Mr. Neuner:

In keeping with your request, I have reviewed the amounts which the officers of Panhandle Eastern Pipe Line Company have suggested as a proper provision for retirements, depletion and amortization on a consolidated basis for the year 1941 and have found this amount, $2,400,000, (which includes provision for amortization of Gas Sales and Purchase Contracts) to be a reasonable provision for depreciation, depletion and amortization based on the estimated life of the properties. Further, in my opinion, the reserves for retirements, depletion and amortization at December 31, 1940, are reasonable reserves based on age and estimated life of the properties.

Yours very truly,

P. McDONALD BIDDISON,
Consulting Engineer.

PMcDB:F

[fol. 14736]

Exhibit 112

Schedule 1
Witness Watkins

Federal Power Commission Feb 16 1942 Received

Panhandle Eastern Pipe Line Company And Subsidiary Companies

Table Of Subsidiary Companies Of
Panhandle Eastern Pipe Line Company

Line No.	Name of Subsidiary Company (1) (A)	Date of Incorporation (B)	Date of Dissolution (C)
1	Central Distributing Company	November 17, 1934	(2)
2	Central Pipe Line Company	August 25, 1933	November 26, 1937
3	Central States Gas Utilities Company	August 15, 1928	April 15, 1935
4	Illinois Natural Gas Company	January 19, 1938	
5	Macon Gas and Electric Light Company (3)	January 25, 1888	March 18, 1938
6	Missouri-Kansas Gas Company	June 27, 1928	October 11, 1935
7	Panhandle Illinois Pipe Line Company	August 16, 1930	July 30, 1938
8	Texas Interstate Pipe Line Company	February 12, 1930	October 31, 1936

(1) 51% of the stock of J. D. Judd and Company and Shale Gas Corporation was owned by Panhandle Eastern Pipe Line Company from September 1, 1930 to dissolution in year 1935. These companies' operations were not included with the wholly owned subsidiary companies in consolidation.

(2) 1 January 1941, Panhandle Eastern Pipe Line Company distributed to its stockholders the common stock of Central Distributing Company in payment of a dividend.

(3) Macon Gas and Electric Light Company acquired in February 1931, was a subsidiary of Central States Gas Utilities Company until January 1, 1935 when it became a subsidiary of Panhandle Eastern Pipe Line Company.

Line No.

Line No.	(A)
1	Central Distributing Company
2	Central Pipe Line Company
3	Central States Gas Utilities Company
4	Illinois Natural Gas Company
5	Macon Gas and Electric Light Company
6	Missouri-Kansas Gas Company
7	Panhandle Illinois Pipe Line Company
8	Texas Interstate Pipe Line Company
9	
10	
11	

December						
1930 (B)	1931 (C)	1932 (D)	1933 (E)	1934 (F)	1935 (G)	1936 (H)
					X	X
			X	X	X	X
X	X	X	X	X		
	X	X	X	X	X	X
X	X	X	X	X		
X	X	X	X	X	X	X
X	X	X	X	X	X	

Line No.	(A)
12	
13	
14	
15	
16	
17	Central Distributing Company
18	Central States Gas Utilities Company
19	Illinois Natural Gas Company
20	Macon Gas and Electric Light Company
21	Missouri-Kansas Gas Company
22	Panhandle Illinois Pipe Line Company
23	Texas Interstate Pipe Line Company

1932 April 1 to December 31	Year Ended December				
(B)	1933 (C)	1934 (D)	1935 (E)	1936 (F)	1937 (G)
			X	X	X
X	X	X			
X	X	X	X	X	X
X	X	X	X		
X	X	X	X	X	X
X	X	X	X	X	

24 (1) 6 Months actual, 6 months estimated.

5011 14737

EXHIBIT

SCHEDULE

WITNESS WATKINS

COMPANY AND SUBSIDIARY COMPANIES

SUBSIDIARY COMPANIES OF
PANHANDLE EASTERN PIPE LINE COMPANY
INCLUDED WITH PANHANDLE EASTERN PIPE LINE COMPAN
IN CONSOLIDATION
BALANCE SHEET - PER BOOKS
EARNED SURPLUS - PER BOOKS
CAPITAL SURPLUS - PER BOOKS
GAS PLANT

D e c e m b e r 3 1										June 30
1931 (C)	1932 (D)	1933 (E)	1934 (F)	1935 (G)	1936 (H)	1937 (I)	1938 (J)	1939 (K)	1940 (L)	1941 (M)
				X	X	X	X	X	X	
		X	X	X	X					
X	X	X	X							
							X	X	X	X
X	X	X	X	X	X					
X	X	X	X							
X	X	X	X	X	X	X				
X	X	X	X	X						

INCOME STATEMENT - PER BOOKS
STATEMENT OF GAS REVENUE
STATEMENT OF GAS REVENUE BY STATES

32 11 1 o ber 31 B)	Year Ended December 31								1941 (1) January 1 to December 31
	1933 (C)	1934 (D)	1935 (E)	1936 (F)	1937 (G)	1938 (H)	1939 (I)	1940 (J)	(K)
			X	X	X	X	X	X	
X	X	X							
						X	X	X	X
X	X	X	X	X	X				
X	X	X	X						
X	X	X	X	X	X	X			
X	X	X	X	X					

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES

Line No.	(A)	1932 April 1 to December 31 (B)	Year Ended 1933 (C)	1934 (D)
1	Macon Gas and Electric Light Company	X	X	X
2	Missouri Kansas Gas Company	X	X	X
3	Texas Interstate Pipe Line Company	X	X	X

4

5 Panhandle Eastern Pipe Line Company purchases all gas purchased
6 from others. Gas purchases of subsidiary companies from
7 Panhandle Eastern Pipe Line Company are eliminated in consolidation.

8
9

10
11
12

Line No.	(A)	Year Ended 1939 (B)
13	Illinois Natural Gas Company	X

5013 14738

EXHIBIT 772

SCHEDULE 3

WITNESS WATKINS

SUBSIDIARY COMPANIES OF
PANHANDLE EASTERN PIPE LINE COMPANY
INCLUDED WITH PANHANDLE EASTERN PIPE LINE COMPANY
IN CONSOLIDATION
STATEMENT OF GAS PRODUCED

r Ended December 31			
1934 (D)	1935 (E)	1936 (F)	1937 (G)
X	X	X	X
X	X		
X	X	X	

STATEMENT OF GAS PURCHASED

ed

tion.

STATEMENT SHOWING COMPARISON OF SALES AND REVENUE
PRINCIPAL INDUSTRIAL CUSTOMERS

Ended December 31	
1940 (C)	1941 (D)
X	X

EXHIBIT No. 131

FUTURE DIVISION OF PRODUCTION
BETWEEN FIELDS
CONSIDERING A REASONABLE EXPECTED LOAD INCREASE

	West Panhandle Field				Hugoton Field			
Year	Produced	Purchased	Total	% of Total	Produced	Purchased	Total	% of Total
1941	23,623,600 53.69	20,376,400 46.31	44,000,000	73.33	6,172,800 38.58	9,827,200 61.42	16,000,000	26.67
1942	27,635,000 55.27	22,365,000 44.73	50,000,000	73.42	8,145,657 45.00	9,955.802 55.00	18,101,459	26.58
1943	30,909,600 57.24	23,090,400 42.76	[illegible],000,000	73,92	9,321,854 48.93	9,729,554 51.07	19,051,408	26.[illegible]8
1944	32,455,500 59.01	22,544,500 40.99	55,000,000	70.90	11,835,017 52.44	10,733,666 47.56	22,568,683	29.10
1945	36,036,000 60.06	23,964,000 39.94	60,000,000	73.11	12,266,349 55.[illegible]9	9,799,399 44.41	22,065,748	26.89
1946	41,262,000 68.77	18,738,000 31.23	50,000,000	65.19	19,137,276 59.74	12,897,000 40.26	32,034,276	34.81
1947	41,262,000 68.77	18,738,000 31.23	60,000,000	61.65			37,317,213	38.35
1948	41,274,000 68.79	18,726,000 31.21	60,000,000	58.48			42,607,884	41.52
1949	37,889,500 68.89	17,110,500 31.11	55,000,000	51.21			52,408,109	48.79
1950	34,495,000 68.99	15,505,000 31.01	50,000,000	44.45			62,473,428	55.55
1951	31,090,500 69.09	13,909,500 30.91	45,000,000	38.45			72,027,419	61.55
1952	27,676,000 69.19	12,324,000 30.81	40,000,000	34.18			77,031,551	65.82
1953	22,172,800 69.29	9,827,200 30.71	32,000,000	27.34			85,031,551	72.66
1954	15,265,800 69.39	6,734,200 30.61	22,000,000	18.80			95,031,551	81.20
1955	6,949,000 69.49	3,051,000 30.51	10,000,000	8.54			107,031,551	91.46
1956	4,885,300 69.79	2,114,700 30.21	7,000,000	5.98			110,031,551	94.02
1957	3,489,500 69.79	1,510,500 30.21	5,000,000	4.27			112,031,551	95.73
1958	2,791,600 69.79	1,208,400 30.21	4,000,000	3.42			113,031,551	96.58
1959	3,000,000	-	3,000,000	2.56			114,031,551	97.44
1960	2,000,000	-	2,000,000	1.71			115,031,551	98.29
	466,162,700	251,837,300	718,000,000				1,324,939,586	

EXHIBIT No. 131

FUTURE DIVISION OF PRODUCTION
BETWEEN FIELDS
CONSIDERING A REASONABLE EXPECTED LOAD INCREASE

Hugoton Field				Total Main Line		
Produced	Purchased	Total	% of Total	Produced	Purchased	Total
6,172,800	9,827,200	16,000,000	26.67	29,796,400	30,203,600	60,000,000
38.58	61.42					
8,145,657	9,955,802	18,101,459	26.58	35,780,657	32,320,802	68,101,459
45.00	55.00					
9,321,854	9,729,554	19,051,408	26.08	40,231,454	32,819,954	73,051,408
48.93	51.07					
11,835,017	10,733,666	22,568,683	29.10	44,290,517	33,278,166	77,568,683
52.44	47.56					
12,266,349	9,799,399	22,065,748	26.89	48,302,349	33,763,399	82,065,748
55.59	44.41					
19,137,276	12,897,000	32,034,276	34.81	60,399,876	31,635,000	92,034,276
59.74	40.26					
		37,317,213	38.35			97,317,213
		42,607,884	41.52			102,607,884
		52,408,109	48.79			107,408,109
		62,473,428	55.55			112,473,428
		72,027,419	61.55			117,027,419
		77,031,551	65.82			117,031,551
		85,031,551	72.66			117,031,551
		95,031,551	81.20			117,031,551
		107,031,551	91.46			117,031,551
		110,031,551	94.02			117,031,551
		112,031,551	95.73			117,031,551
		113,031,551	96.58			117,031,551
		114,031,551	97.44			117,031,551
		115,031,551	98.29			117,031,551
		1,324,939,586				2,042,939,586

EXHIBIT No. 132

FUTURE DIVISION OF PRODUCTION
BETWEEN FIELDS
WITHOUT CONSIDERATION FOR INCREASED LOADS
PRESSURE BASE 16.4 POUNDS

Year	West Panhandle Field			Hugoton Field		
	Produced MCF	Purchased MCF	Total MCF	Produced MCF	Purchased MCF	Total MCF
1941	23,623,600 53.69	20,376,400 46.31	44,000,000	6,172,800 38.58	9,827,200 61.42	16,000,000
1942	24,871,500 55.27	20,128,500 44.73	45,000,000	6,824,000 42.65	9,176,000 57.35	16,000,000
1943	25,758,000 57.24	19,242,000 42.76	45,000,000	7,209,600 45.06	8,790,400 54.94	16,000,000
1944	26,554,500 59.01	18,445,500 40.99	45,000,000	7,424,000 46.40	8,576,000 53.60	16,000,000
1945	27,027,000 60.06	17,973,000 39.94	45,000,000	7,654,400 47.84	8,345,600 52.16	16,000,000
1946	30,946,500 68.77	14,053,500 31.23	45,000,000	8,507,200 53.17	7,492,800 46.83	16,000,000
1947	30,946,500 68.77	14,053,500 31.23	45,000,000			16,000,000
1948	30,955,500 68.79	14,044,500 31.21	45,000,000			16,000,000
1949	31,000,500 68.89	13,999,500 31.11	45,000,000			16,000,000
1950	31,045,500 68.99	13,954,500 31.01	45,000,000			16,000,000
1951	31,090,500 69.09	13,909,500 30.91	45,000,000			16,000,000
1952	31,135,500 69.19	13,864,500 30.81	45,000,000			16,000,000
1953	27,716,000 69.29	12,284,000 30.71	40,000,000			21,000,000
1954	24,286,500 69.39	10,713,500 30.61	35,000,000			26,000,000
1955	20,847,000 69.49	9,153,000 30.51	30,000,000			31,000,000
1956	13,958,000 69.79	6,042,000 30.21	20,000,000			41,000,000
1957	5,583,200 69.79	2,416,800 30.21	8,000,000			53,000,000
1958	3,489,500 69.79	1,510,500 30.21	5,000,000			56,000,000
1959	4,000,000	-	4,000,000			57,000,000
1960	3,000,000	-	3,000,000			58,000,000
			684,000,000			535,000,000

EXHIBIT No. 132

FUTURE DIVISION OF PRODUCTION
BETWEEN FIELDS
WITHOUT CONSIDERATION FOR INCREASED LOADS
PRESSURE BASE 16.4 POUNDS

Hugoton Field			Total Main Line		
Produced MCF	Purchased MCF	Total MCF	Produced MCF	Purchased MCF	Total MCF
6,172,800	9,827,200	16,000,000	29,796,400	30,203,600	60,000,000
38.58	61.42				
6,824,000	9,176,000	16,000,000	31,695,500	29,304,500	61,000,000
42.65	57.35				
7,209,600	8,790,400	16,000,000	32,967,600	28,032,400	61,000,000
45.06	54.94				
7,424,000	8,576,000	16,000,000	33,978,500	27,021,500	61,000,000
46.40	53.60				
7,654,400	8,345,600	16,000,000	34,681,400	26,318,600	61,000,000
47.84	52.16				
8,507,200	7,492,800	16,000,000	39,453,700	21,546,300	61,000,000
53.17	46.83				
		16,000,000			61,000,000
		16,000,000			61,000,000
		16,000,000			61,000,000
		16,000,000			61,000,000
		16,000,000			61,000,000
		16,000,000			61,000,000
		21,000,000			61,000,000
		26,000,000			61,000,000
		31,000,000			61,000,000
		41,000,000			61,000,000
		53,000,000			61,000,000
		56,000,000			61,000,000
		57,000,000			61,000,000
		58,000,000			61,000,000
		535,000,000			1,219,000,000

[fol. 14783]

Exhibit 187.

Acres Used In Determining Weighted Average Pressures Of Texas Panhandle Field

July	Acres: East Field	Acres: West Field: Sweet	Acres: West Field: Sour	Acres: Total Field
1935	263,150	861,643	379,512	1,504,305
1936	270,231	873,759	369,498	1,513,126
1937	272,948	785,519	391,613	1,450,080
1938	274,977	801,446	398,901	1,475,324
1939	271,220	795,761	386,210	1,453,191
1940	281,588	803,682	272,437	1,457,707

Source: Annual reports "Panhandle Oil and Gas Field, Railroad Commission of Texas."

EXHIBIT No. 138

DRY GAS PRODUCTION AND PRESSURE DECLINE
TEXAS PANHANDLE FIELD

PERIOD		EAST FIELD		WEST SWEET FIELD		WEST SOUR FIELD		TOTAL	
BEG.	END	PRODUCTION MCF	PRESSURE DECLINE LBS.	PRODUCTION MCF	PRESSURE DECLINE LBS.	PRODUCTION MCF	PRESSURE DECLINE LBS.	PRODUCTION MCF	PRESSURE DECLINE LBS.
8-1-35	7-1-36	69,060,898	16.95	226,493,969	1.82	151,785,533	13.61	447,342,322	7.51
7-1-36	7-1-37	39,199,352	12.33	227,583,806	7.10	179,482,544	0.83	446,265,702	7.95
7-1-37	8-1-38	44,709,208	20.65	243,187,395	6.48	257,988,242	12.28	545,884,845	9.39
8-1-38	8-1-39	36,601,439	20.85	251,999,957	9.50	222,061,730	14.35	510,663,126	13.94
8-1-39	8-1-40	39,667,071	(-) 5.34	276,488,683	8.38	248,129,543	5.62	564,285,297	5.39

Volumes of gas are given as of a pressure base of 14.65 pounds per square inch absolute.

Source: Annual Reports "Panhandle Oil and Gas Field, Railroad Commission of Texas."

[fol. 14785] (Exhibit 139)

Estimated Intake Pressures At Sneed Compressor Station

Pounds Gauge

Years	Production From Group Area A.B.& C. Pounds Gauge	Production From Group Area D.E.F.& G. Pounds Gauge
1942	293	293
1943	285	288
1944	273	276
1945	261	261
1946	247	246
1947	231	228
1948	216	210
1949	208	210*
1950	190	192
1951	172	174
1952	154	154
1953	136	134
1954	118	112
1955	100*	90
1956	80	70
1957	60	50
1958	40**	—
1959	20	—
1960	—	—

* Additional Field Horsepower will be required to maintain the same suction or cylinders changed at Sneed, or both.

** Present type compressors cannot be operated successfully at such pressures therefore new equipment will be required to compress the gas when pressures fall below 50# Gauge.

G.H.H.
1/10-42

EXHIBIT No. 140

ESTIMATED AVERAGE WORKING PRESSURES
AT WELL HEAD (GAUGE)
FOR "GROUP AREAS", SHOWN ON EXHIBIT 46
PANHANDLE FIELD, TEXAS

Year	Average Working Pressure Group Area "A" Pounds Gauge	Average Working Pressure Group Area "B" Pounds Gauge	Average Working Pressure Group Area "C" Pounds Gauge	Average Working Pressure Group Area "D" Pounds Gauge	Average Working Pressure Group Area "E" Pounds Gauge
			COMPANY WELLS		
1942	317	317	303	299	308
1943	309	309	295	294	303
1944	297	297	283	282	291
1945	285	285	271	267	276
1946	271	271	257	252	261
1947	255	255	241	234	243
1948	240	240	226	216	225
1949	226	226	214	216	220
1950	208	208	196	197	202
1951	190	190	178	180	184
1952	171	171	159	170	162
1953	152	152	141	150	141
1954	132	132	123	130	119
1955	112	112	104	120	94
1956	90	90	83	100	73
1957	68	68	62	70	52
1958	46	46	41	-	-
1959	-	24	-	-	-
1960	-	-	-	-	-
			GAS PURCHASE WELLS		
1942	320	317	305	299	308
1943	312	309	297	294	303
1944	300	297	285	282	291
1945	288	285	273	267	276
1946	274	271	259	252	261
1947	258	255	243	234	243
1948	243	240	228	216	225
1949	229	226	216	216	220
1950	210	208	198	197	202
1951	192	190	180	180	184
1952	173	171	158	170	162
1953	154	152	142	150	141
1954	133	132	123	130	119
1955	112	112	104	120	94
1956	90	90	83	100	73
1957	68	68	62	70	52
1958	46	46	41	-	-
1959	-	24	-	-	-
1960	-	-	-	-	-

NOTE: It is assumed that the system capacity be adjusted by added pipe lines or additional horse power so as to allow wells the estimated working pressures shown.

EXHIBIT No. 140

ESTIMATED AVERAGE WORKING PRESSURES
AT WELL HEAD (GAUGE)
FOR "GROUP AREAS", SHOWN ON EXHIBIT 46
PANHANDLE FIELD, TEXAS

Average Working Pressure Group Area "C" Pounds Gauge	Average Working Pressure Group Area "D" Pounds Gauge	Average Working Pressure Group Area "E" Pounds Gauge	Average Working Pressure Group Area "F" Pounds Gauge	Average Working Pressure Group Area "G" Pounds Gauge
COMPANY WELLS				
303	299	308	313	313
295	294	303	308	308
283	282	291	296	296
271	267	276	281	281
257	252	261	266	266
241	234	243	248	248
226	216	225	230	230
214	216	220	222	222
196	197	202	204	204
178	180	184	186	186
159	170	162	164	164
141	150	141	143	143
123	130	119	121	121
104	120	94	95	95
83	100	73	74	74
62	70	52	55	53
41	-	-	-	-
-	-	-	-	-
-	-	-	-	-
GAS PURCHASE WELLS				
305	299	308	313	313
297	294	303	308	308
285	282	291	296	296
273	267	276	281	281
259	252	261	266	266
243	234	243	248	248
228	216	225	230	230
216	216	220	222	222
198	197	202	204	204
180	180	184	186	186
158	170	162	164	164
142	150	141	143	143
123	130	119	121	121
104	120	94	95	95
83	100	73	74	74
62	70	52	55	53
41	-	-	-	-
-	-	-	-	-
-	-	-	-	-

...sted by added pipe lines or additional horse power so as to allow wells to produce that cannot feed against

EXHIBIT No. 141

ANNUAL & CUMULATIVE PRODUCTION FROM PANHANDLE FIELD, TEXAS

(Figures through 1940 actual, 1941 through 1956 Estimated)
Pressure Base 16.4#

Year	Gas Used By Pipe Lines M.C.F.	Gas Used By Gasoline Plants M.C.F.	Casinghead Gas Not Treated (Blown in Air) M.C.F.	Gas Blown in Air and Used in Drilling Wells M.C.F.	Total Gas Produced M.C.F.	Total Cumulative Gas Produced M.C.F.
	(1)	(2)	(3)	(4)	(5)	(6)
1926 and earlier	15,725,533	34,300,000	92,000,000	105,400,000	247,425,533	247,425,533
1927	8,825,598	263,800,000	144,000,000	88,600,000	505,225,598	752,651,131
1928	39,978,176	330,500,000	114,000,000	49,500,000	533,978,176	1,286,629,307
1929	84,767,509	395,110,000	90,000,000	55,800,000	625,677,509	1,912,306,816
1930	81,175,878	412,796,000	70,000,000	52,600,000	616,571,878	2,528,878,694
1931	86,538,708	346,255,000	50,000,000	16,300,000	499,093,708	3,027,972,402
1932	97,087,294	283,708,708	32,940,000	4,026,000	417,762,002	3,445,734,404
1933	109,179,977	333,838,516	25,550,000	4,380,000	472,948,493	3,918,682,897
1934	147,363,215	564,804,621	33,800,000	21,665,125	767,632,961	4,686,315,858
1935	156,695,751	563,734,998	28,850,000	26,037,265	775,318,014	5,461,633,872
1936	183,804,643	330,269,607	15,540,000	30,066,628	559,680,878	6,021,314,750
1937	210,333,095	345,298,466	6,205,000	29,692,496	591,529,057	6,612,843,807
1938	207,553,695	318,498,051	5,075,000	12,268,267	543,395,013	7,156,238,820
1939	222,299,905	329,653,273	7,300,000	13,026,239	572,279,417	7,728,518,237
1940	235,860,805	337,256,848	7,320,000	17,029,475	597,467,129	8,325,985,366
1941	242,700,000	345,000,000	7,300,000	15,000,000	610,000,000	8,935,985,000
1942	266,700,000	345,000,000	7,300,000	15,000,000	634,000,000	9,569,985,000
1943	282,700,000	345,000,000	7,300,000	15,000,000	650,000,000	10,219,985,000
1944	296,700,000	345,000,000	7,300,000	15,000,000	664,000,000	10,883,985,000
1945	311,700,000	345,000,000	7,300,000	15,000,000	679,000,000	11,562,985,000
1946	311,700,000	345,000,000	7,300,000	15,000,000	679,000,000	12,241,985,000
1947	311,700,000	345,000,000	7,300,000	15,000,000	679,000,000	12,920,985,000
1948	311,700,000	345,000,000	7,300,000	15,000,000	679,000,000	13,599,985,000
1949	306,700,000	345,000,000	7,300,000	15,000,000	674,000,000	14,273,985,000

EXHIBIT No. 141

ANNUAL & CUMULATIVE PRODUCTION FROM PANHANDLE FIELD, TEXAS

(Figures through 1940 actual, 1941 through 1956 Estimated)
Pressure Base 16.4#
(Continued)

Year	Gas Used By Pipe Lines M.C.F.	Gas Used By Gasoline Plants M.C.F.	Casinghead Gas Not Treated (Blown in Air) M.C.F.	Gas Blown in Air and Used in Drilling Wells M.C.F.	Total Gas Produced M.C.F.	Total Cumulative Gas Produced M.C.F.
	(1)	(2)	(3)	(4)	(5)	(6)
1950	301,700,000	345,000,000	7,300,000	15,000,000	669,000,000	14,942,985,000
1951	293,700,000	345,000,000	7,300,000	15,000,000	661,000,000	15,603,985,000
1952	288,700,000	345,000,000	7,300,000	15,000,000	656,000,000	16,259,985,000
1953	279,700,000	345,000,000	7,300,000	14,000,000	646,000,000	16,905,985,000
1954	270,700,000	345,000,000	7,300,000	13,000,000	636,000,000	17,541,985,000
1955	259,700,000	345,000,000	7,300,000	12,000,000	624,000,000	18,165,985,000
1956	258,700,000	345,000,000	7,300,000	10,000,000	621,000,000	18,786,985,000

Gas used by Carbon Black Plants is included in column showing "Gas Used By Gasoline Plants."

Amounts of gas shown through years 1926-1931 estimated by Victor Cotner - "Geology and Occurance of Natural Gas in Amarillo District, Texas." Bulletin A.A.P.G. Vol. 17, No. 8, August 1933 p.p. 877-906.

Amounts of gas shown through years 1932-1940 - Gas used by pipe lines and gasoline plants from records of Railroad Commission of Texas. Balance of data estimated from weekly oil field scout reports.

All figures through 1940 compiled by C. J. Peterson.

Amounts of gas shown through years 1941-1956 estimated by C. H. Hinton.

[fol. 14789] Exhibit 142.—Substituted.

In the tabulation shown herein the carrying charges on the cost of reserves, the cost of existing facilities and the cost of facilities to be hereafter added, have not been taken into account; nor has consideration been given to amortization, depletion, depreciation and replacements with respect to these properties. The apportionment of transportation costs in these tabulations is based on the ratio of gas produced or gas purchased, as the case may be, to the total gas produced and purchased.

SUMMARY OF COST OF GAS PRODUCED AND PURCHASED PER M C F BY FIELDS - BASIC LOAD FOR THE YEARS 1940 to 1946 INCLUSIVE

(Year 1940 - actual, Year 1941 - 6 months actual and 6 months estimated, and the Years 1942 to 1946 inclusive - estimated).

Line No.	Description (A)	1940 (B) ¢	1941 (C) ¢	1942 (D) ¢	1943 (E) ¢	1944 (F) ¢	1945 (G) ¢	1946 (H) ¢
1	**Panhandle Field**							
2	Cost of Gas Produced per M C F	1.1719	1.4726	1.5126	1.5412	1.5615	1.6081	1.5979
3	Cost of Gas Purchased per M C F	3.8073	4.0127	4.0721	4.1034	4.1232	4.1643	4.1952
4	Panhandle Field - Average	2.3689	2.6488	2.6575	2.6386	2.6115	2.6290	2.4091
5	**Hugoton Field**							
6	Cost of Gas Produced per M C F	2.8551	3.3672	3.6334	4.1852	3.6303	3.5545	3.6969
7	Cost of Gas Purchased per M C F	4.4963	4.9192	4.9989	5.1518	5.2146	5.2477	5.2770
8	Hugoton Field - Average	3.8702	4.3205	4.4165	4.7163	4.4795	4.4377	4.4368
9	**Both Fields - Combined**							
10	Cost of Gas Produced per M C F	1.5560	1.8651	1.9692	2.1194	2.0135	2.0377	2.0505
11	Cost of Gas Purchased per M C F	4.0663	4.3076	4.3623	4.4322	4.4696	4.4842	4.5714
12	Main Line - Average	2.8290	3.0947	3.1189	3.1822	3.1015	3.1035	2.9410

Witness Hinton

COST OF GAS PURCHASED PER M C F BY FIELDS - BASIC LOAD FOR THE YEARS 1940 to 1946 INCLUSIVE

(Year 1940 - Actual, Year 1941 - 6 months Actual and 6 months estimated, and the Years 1942 to 1946 inclusive - estimated)

Line No.	Nature of Costs (A)	1940 (B)	1941 (C)	1942 (D)	1943 (E)	1944 (F)	1945 (G)	1946 (H)
1	**Panhandle Field**							
2	Amount paid for gas purchased							
3	(Line 21 x 3.47¢ average price)	$570,050	$707,061	$698,459	$667,697	$640,059	$623,663	$487,656
4	Transportation costs -							
5	Transmission -							
6	Operation	8,181	10,712	11,174	11,105	10,773	10,500	8,210
7	Maintenance	2,847	4,468	5,390	5,339	5,200	5,226	4,086
8	Measurement -							
9	Operation	5,945	5,610	6,316	6,586	6,868	7,162	7,470
10	Maintenance	403	450	512	534	557	581	606
11	Compressor -							
12	Operation - Hansford	-	23,849	26,605	25,597	24,705	24,248	19,115
13	Maintenance - Hansford	-	5,277	5,351	5,372	5,407	5,532	4,542
14	Operation - Sneed	32,649	40,444	46,187	46,439	46,313	50,677	41,332
15	Maintenance - Sneed	5,385	5,636	5,716	5,738	5,775	5,909	4,851
16	Dehydration Plant - Sneed							
17	Operation	-	2,203	2,182	2,086	1,999	1,948	1,523
18	Maintenance	-	283	287	288	290	297	244
19	Taxes - Ad Valoreum	-	11,642	11,465	12,800	12,604	12,715	9,948
20	Total Gas Purchased Costs	$625,470	$817,635	$819,644	$789,581	$760,550	$748,458	$589,577
21	M C F Purchased for Year	16,427,962	20,376,400	20,128,500	19,242,000	18,445,500	17,973,000	14,053,500
22	Cost of Gas Purchased per M C F - Panhandle Field	3.8073¢	4.0127¢	4.0721¢	4.1034¢	4.1232¢	4.1643	4.1952¢
23	**Hugoton Field**							
24	Amount paid for gas purchased							
25	(Line 35 x 4.26¢ average price)	$421,376	$418,639	$390,898	$374,471	$365,338	$355,523	$319,193
26	Transportation costs -							
27	Transmission -							
28	Operation	12,580	16,629	18,395	17,710	18,864	18,358	16,620
29	Maintenance	3,663	4,879	7,154	7,008	8,836	8,416	7,685
30	Measurement -							
31	Operation	6,380	6,255	6,833	7,124	7,218	7,525	7,845
32	Maintenance	749	764	829	862	896	931	968
33	Taxes - Ad Valoreum	-	36,251	34,587	45,691	46,055	47,201	43,085
34	Total Gas Purchase Costs	$444,748	$483,417	$458,696	$452,856	$447,207	$437,954	$395,396
35	M C F Purchased for Year	9,891,451	9,827,200	9,176,000	8,790,400	[illegible],576,000	8,345,600	7,492,800
36	Cost of Gas Purchased per M C F - Hugoton Field	4.4963¢	4.9192¢	4.9989¢	5.1518¢	5.2146¢	5.2477¢	5.2770¢
37	**Both Fields - Combined**							
38	Total Gas Purchase Costs	$1,070,218	$1,301,052	$1,278,340	$1,242,447	$1,207,757	$1,180,166	$984,973
39	M C F Purchased for Year	26,319,413	30,203,600	29,304,500	28,032,400	27,021,500	26,318,600	21,546,300
40	Cost of Gas Purchased per M C F-Main Line	4.0663¢	4,3076¢	4.3623¢	4.4322¢	4.4696¢	4.4842¢	4.5714¢

PRODUCTION COSTS PER M C F PRODUCED BY FIELDS - BASIC LOAD
FOR THE YEARS 1940 to 1946 INCLUSIVE
(Year 1940 - actual, Year 1941 - 6 months actual and 6 months estimated, and the Years 1942 to 1946 inclusive - estimated)

Schedule 3
Witness Hinton

Line No.	Nature of Costs (A)	1940 (B)	1941 (C)	1942 (D)	1943 (E)	1944 (F)	1945 (G)	1946 (H)
1	Panhandle Field							
2	Production -							
3	Operation	$22,239	$21,657	$21,500	$22,800	$24,300	$26,300	$27,100
4	Maintenance	11,821	7,990	9,050	10,300	11,750	13,300	14,100
5	Land and Lease -							
6	Operation	5,699	3,810	3,800	3,800	3,800	3,800	3,800
7	Royalties	101,182	132,882	139,902	144,889	149,369	152,027	174,074
8	Rents	325	325	325	325	325	325	325
9	Delay Rentals	12,544	9,411	11,031	6,861	4,932	3,097	3,097
10	Renewal Bonus	8,000	4,873	-	-	800	2,050	800
11	Taxes -							
12	Ad Valoreum	-	13,498	14,166	17,135	18,144	19,120	21,893
13	Gross Production	-	37,614	39,601	41,013	42,281	43,033	49,274
14	Total Production Costs	$161,810	$232,060	$239,375	$247,123	$255,901	$263,052	$294,463
15	M C F Produced for Year	19,743,000	23,623,600	24,871,500	25,758,000	26,554,500	27,027,000	30,946,500
16	Production Costs per M C F Produced -							
17	Panhandle Field	0.8196¢	0.9823¢	0.9624¢	0.9594¢	0.9637¢	0.9733¢	0.9515¢
18	Hugoton Field							
19	Production -							
20	Operation	$14,042	$16,573	$17,373	$20,223	$21,823	$21,673	$21,008
21	Maintenance	3,492	5,470	6,450	6,900	7,500	7,950	8,300
22	Land and Lease -							
23	Operation	7,447	7,712	7,500	8,000	8,500	8,500	8,500
24	Royalties	41,698	42,072	45,773	47,979	49,223	50,556	55,353
25	Rents	-	-	-	-	-	-	-
26	Delay Rentals	76,514	80,314	91,504	89,426	87,466	86,266	85,146
27	Renewal Bonus	4,286	5,641	15,075	49,111	6,360	8,143	27,439
28	Taxes -							
29	Ad Valoreum	-	22,771	25,721	37,475	39,869	43,292	48,919
30	Gross Production	-	3,937	5,528	6,810	7,520	7,909	9,775
31	Total Production Costs	$147,479	$184,490	$214,924	$265,924	$228,261	$228,289	$264,440
32	M C F Produced for Year	5,835,900	6,172,800	6,824,000	7,209,600	7,424,000	7,654,400	8,507,200
33	Production Costs per M C F Produced -							
34	Hugoton Field	2.5271¢	2.9888¢	3.1495¢	3.6885¢	3.0746¢	2.9825¢	3.1084¢
35	Both Fields - Combined							
36	Total Production Costs	$309,289	$416,550	$454,299	$513,047	$484,162	$491,341	$558,903
37	M C F Produced for Year	25,578,900	29,796,400	31,695,500	32,967,600	33,978,500	34,681,400	39,453,700
38	Production Costs per M C F Produced -							
39	Main Line	1.2092¢	1.3980¢	1.4333¢	1.5562¢	1.4249¢	1.4167¢	1.4166¢

Schedule 4
Witness Hinton

TRANSPORTATION COSTS PER M C F PRODUCED BY FIELDS - BASIC LOAD
FOR THE YEARS 1940 to 1946 INCLUSIVE

(Year 1940 - actual, Year 1941 - 6 months actual and 6 months estimated and the Years 1942 to 1946 inclusive - estimated)

Line No.	Nature of Costs (A)	1940 (B)	1941 (C)	1942 (D)	1943 (E)	1944 (F)	1945 (G)	1946 (H)
1	Panhandle Field							
2	Transmission -							
3	Operation	$9,831	$12,420	$13,808	$14,865	$15,510	$15,790	$18,080
4	Maintenance	3,422	5,181	6,660	7,146	7,485	7,859	8,999
5	Measurement -							
6	Operation	9,290	7,075	8,414	11,564	12,217	12,749	13,306
7	Maintenance	1,313	1,072	1,294	1,794	1,886	1,932	1,981
8	Compressor -							
9	Operation - Hansford	-	27,649	32,874	34,264	35,566	36,462	42,092
10	Maintenance - Hansford	-	6,118	6,613	7,191	7,784	8,318	10,001
11	Operation - Sneed	39,233	46,889	57,070	62,165	66,674	76,207	91,016
12	Maintenance - Sneed	6,472	6,535	7,064	7,681	8,314	8,885	10,683
13	Dehydration Plant - Sneed -							
14	Operation	-	2,553	2,696	2,792	2,879	2,930	3,355
15	Maintenance	-	328	355	386	418	446	536
16	Total Transportation Costs	$69,561	$115,820	$136,848	$149,848	$158,733	$171,578	$200,049
17	M C F Produced for Year	19,743,000	23,623,600	24,871,500	25,758,000	26,554,500	27,027,000	30,946,500
18	Transportation Costs per M C F Produced -							
19	Panhandle Field	0.3523¢	0.4903¢	0.5502¢	0.5818¢	0.5978¢	0.6348¢	0.6464¢
20	Hugoton Field							
21	Transmission -							
22	Operation	$7,759	$10,445	$13,680	$14,525	$16,330	$16,837	$18,870
23	Maintenance	2,260	3,064	5,320	5,747	7,649	7,719	8,725
24	Measurement -							
25	Operation	7,807	8,238	11,603	12,878	14,338	15,964	18,662
26	Maintenance	1,314	1,611	2,421	2,662	2,941	3,264	3,804
27	Compressor -							
28	Operation	-	-	-	-	-	-	-
29	Maintenance	-	-	-	-	-	-	-
30	Total Transportation Costs	$19,140	$23,358	$33,024	$35,812	$41,258	$43,784	$50,061
31	M C F Produced for Year	5,835,900	6,172,800	6,824,000	7,209,600	7,424,000	7,654,400	8,507,200
32	Transportation Costs per M C F Produced -							
33	Hugoton Field	0.3280¢	0.3784¢	0.4839¢	0.4967¢	0.5557¢	0.5720¢	0.5885¢
34	Both Fields - Combined							
35	Total Transportation Costs	$88,701	$139,178	$169,872	$185,660	$199,991	$215,362	$250,110
36	M C F Produced for Year	25,578,900	29,796,400	31,695,500	32,967,600	33,978,500	34,681,400	39,453,700
37	Transportation Costs per M C F Produced -							
38	Main Line	0.3468¢	0.4671¢	0.5359¢	0.5632¢	0.5886¢	0.6210¢	0.6339¢

Schedule 5
Witness Hinton

SUMMARY OF PRODUCTION AND TRANSPORTATION COSTS PER M C F PRODUCED
BY FIELDS - BASIC LOAD
FOR THE YEARS 1940 to 1946 INCLUSIVE
(Year 1940 - actual, Year 1941 - 6 months actual and 6 months estimated, and the years 1942 to 1946 inclusive - estimated)

Line No.	Description (A)	1940 (B) ¢	1941 (C) ¢	1942 (D) ¢	1943 (E) ¢	1944 (F) ¢	1945 (G) ¢	1946 (H) ¢
1	Panhandle Field							
2	Production Costs per M C F Produced	0.8196	0.9823	0.9624	0.9594	0.9637	0.9733	0.9515
3	Transportation Costs per M C F Produced	0.3523	0.4903	0.5502	0.5818	0.5978	0.6348	0.6464
4	Totals - Panhandle Field	1.1719	1.4726	1.5126	1.5412	1.5615	1.6081	1.5979
5	Hugoton Field							
6	Production Costs per M C F Produced	2.5271	2.9888	3.1495	3.6885	3.0746	2.9825	3.1084
7	Transportation Costs per M C F Produced	0.3280	0.3784	0.4839	0.4967	0.5557	0.5720	0.5885
8	Totals - Hugoton Field	2.8551	3.3672	3.6334	4.1852	3.6303	3.5545	3.6969
9	Both Fields - Combined							
10	Production Costs per M C F Produced	1.2092	1.3980	1.4333	1.5562	1.4249	1.4167	1.4166
11	Transportation Costs per M C F Produced	0.3468	0.4671	0.5359	0.5632	0.5886	0.6210	0.6339
12	Totals - Main Line	1.5560	1.8651	1.9692	2.1194	2.0135	2.0377	2.0505

[fol. 14795] Exhibit 143.—Substituted.

In the tabulation shown herein the carrying charges on the cost of reserves, the cost of existing facilities and the cost of facilities to be hereafter added, have not been taken into account; nor has consideration been given to amortization, depletion, depreciation and replacements with respect to these properties. The apportionment of transportation costs in these tabulations is based on the ratio of gas produced or gas purchased, as the case may be, to the total gas produced and purchased.

SUMMARY OF COST OF GAS PRODUCED AND PURCHASED PER M C F BY FIELDS - ESTIMATED FUTURE LOAD FOR THE YEARS 1940 to 1946 INCLUSIVE
(Year 1940 - actual, Year 1941 - 6 months actual and 6 months estimated, and the Years 1942 to 1946 inclusive - estimated)

Line No.	Description (A)	1940 (B) ¢	1941 (C) ¢	1942 (D) ¢	1943 (E) ¢	1944 (F) ¢	1945 (G) ¢	1946 (H) ¢
1	Panhandle Field							
2	Cost of Gas Produced per M C F	1.1719	1.4726	1.4929	1.4818	1.4905	1.4762	1.4713
3	Cost of Gas Purchased per M C F	3.8073	4.0126	4.0712	4.0751	4.0863	4.0805	4.1063
4	Panhandle Field - Average	2.3689	2.6488	2.6461	2.5907	2.5545	2.5164	2.2942
5	Hugoton Field							
6	Cost of Gas Produced per M C F	2.8552	3.3671	3.1635	3.4883	2.6334	2.6006	2.0896
7	Cost of Gas Purchased per M C F	4.4963	4.9192	4.9455	5.0937	4.9830	5.0466	4.8296
8	Hugoton Field - Average	3.8703	4.3204	4.1436	4.3082	3.7509	3.6869	3.1927
9	Both Fields - Combined							
10	Cost of Gas Produced per M C F	1.5560	1.8651	1.8733	1.9468	1.7960	1.7617	1.6672
11	Cost of Gas Purchased per M C F	4.0663	4.3076	4.3405	4.3771	4.3755	4.3609	4.4012
12	Main Line - Average	2.8290	3.0947	3.1189	3.1822	3.1015	3.1035	2.9410

COST OF GAS PURCHASED PER M C F BY FIELDS - ESTIMATED FUTURE LOAD
FOR THE YEARS 1940 to 1946 INCLUSIVE
(Year 1940 - actual, Year 1941 - 6 months actual and 6 months estimated, and the Years 1942 to 1946 inclusive - estimated)

Line No.	Nature of Cost (A)	1940 (B)	1941 (C)	1942 (D)	1943 (E)	1944 (F)	1945 (G)	1946 (H)
1	Panhandle Field							
2	Amount paid for gas purchased							
3	(Line 21 x 3.47¢ average price)	$570,050	$707,061	$776,066	$801,237	$782,294	$831,551	$650,209
4	Transportation costs -							
5	Transmission -							
6	Operation	8,181	10,712	11,735	11,447	11,099	10,815	8,456
7	Maintenance	2,847	4,468	5,699	5,715	5,546	5,560	4,347
8	Measurement -							
9	Operation	5,945	5,609	6,316	6,586	6,868	7,162	7,470
10	Maintenance	413	449	512	534	557	581	606
11	Compressor -							
12	Operation - Hansford	-	23,849	32,753	33,571	32,657	34,153	26,860
13	Maintenance - Hansford	-	5,277	5,351	5,372	5,407	5,532	4,542
14	Operation - Sneed	32,648	40,443	52,401	55,330	55,848	61,111	50,007
15	Maintenance - Sneed	5,385	5,636	5,716	5,738	5,775	5,909	4,851
16	Dehydration Plant - Sneed							
17	Operation	-	2,203	2,417	2,495	2,437	2,590	2,025
18	Maintenance	-	283	324	337	330	349	274
19	Taxes - Ad Valoreum	-	11,642	11,255	12,600	12,411	12,527	9,795
20	Total Gas Purchase Costs	$625,469	$817,632	$910,525	$940,962	$921,229	$977,840	$769,442
21	M C F Purchased for Year	16,427,962	20,376,400	22,365,000	23,090,400	22,544,500	23,964,000	18,738,000
22	Cost of Gas Purchased per M C F -							
23	Panhandle Field	3.8073¢	4.0126¢	4.0712¢	4.0751¢	4.0863¢	4.0805¢	4.1063¢
24	Hugoton Field							
25	Amount paid for gas purchased							
26	(Line 35 x 4.26¢ average price)	$421,376	$418,639	$424,117	$414,479	$457,254	$417,454	$549,412
27	Transportation costs -							
28	Transmission -							
29	Operation	12,580	16,629	20,493	19,636	18,810	18,763	17,855
30	Maintenance	3,663	4,879	6,900	6,683	6,447	6,924	6,740
31	Measurement -							
32	Operation	6,380	6,255	6,851	7,124	7,218	7,525	7,845
33	Maintenance	749	764	829	862	878	931	968
34	Taxes - Ad Valoreum	-	36,251	33,170	46,813	44,253	42,939	40,052
35	Total Gas Purchase Costs	$444,748	$483,417	$492,360	$495,597	$534,860	$494,536	$622,872
36	M C F Purchased for Year	9,891,451	9,827,200	9,935,802	9,729,554	10,733,666	9,799,399	12,897,000
37	Cost of Gas Purchased per M C F -							
38	Hugoton Field	4.4963¢	4.9192¢	4.9455¢	5.0937¢	4.9830¢	5.0466¢	4.8296¢
39	Both Fields - Combined							
40	Total Gas Purchase Costs	$1,070,217	$1,301,049	$1,402,885	$1,436,559	$1,456,089	$1,472,376	$1,392,314
41	M C F Purchased for Year	26,319,413	30,203,600	32,320,802	32,819,954	33,278,166	33,763,399	31,635,000
42	Cost of Gas Purchased per M C F -							
43	Main Line	4.0663¢	4.3076¢	4.3405¢	4.3771¢	4.3755¢	4.3609¢	4.4012¢

PRODUCTION COSTS PER M C F PRODUCED BY FIELDS- ESTIMATED FUTURE LOAD
FOR THE YEARS 1940 to 1946 INCLUSIVE
(Year 1940 - actual, Year 1941 - 6 months actual and 6 months estimated and the Years 1942 to 1946 inclusive - estimated)

Line No.	Nature of Costs (A)	1940 (B)	1941 (C)	1942 (D)	1943 (E)	1944 (F)	1945 (G)	1946 (H)
1	Panhandle Field							
2	Production -							
3	Operation	$22,238	$21,657	$21,500	$22,800	$24,500	$26,300	$27,100
4	Maintenance	11,821	7,989	9,050	10,300	11,750	13,300	14,100
5	Land and Lease -							
6	Operation	5,699	3,809	3,800	3,800	3,800	3,800	3,800
7	Royalties	101,182	132,882	155,447	173,867	182,562	202,703	232,099
8	Rents	325	325	325	325	325	325	325
9	Delay Rentals	12,544	9,411	11,030	6,860	4,932	3,097	3,097
10	Renewal Bonus	8,000	4,873	-	-	800	2,050	800
11	Taxes -							
12	Ad Valoreum	-	13,498	13,906	16,866	17,867	18,838	21,570
13	Gross Production	-	37,614	44,001	49,215	51,677	57,378	65,698
14	Total Production Costs	$161,809	$232,058	$259,059	$284,033	$298,213	$327,791	$368,589
15	M C F Produced for Year	19,743,000	23,623,600	27,635,000	30,909,600	32,455,500	36,036,000	41,262,000
16	Production Costs per M C F Produced -							
17	Panhandle Field	0.8196¢	0.9823¢	0.9374¢	0.9189¢	0.9188¢	0.9096¢	0.8933¢
18	Hugoton Field							
19	Production -							
20	Operation	$14,045	$16,572	$16,223	$18,983	$21,283	$21,343	$20,143
21	Maintenance	3,492	5,470	6,450	6,900	7,500	7,950	8,300
22	Land and Lease -							
23	Operation	7,447	7,712	7,500	8,000	8,500	8,500	8,500
24	Royalties	41,698	42,072	53,207	59,860	74,035	76,498	115,147
25	Rents	-	-	-	-	-	-	-
26	Delay Rentals	76,514	80,314	91,504	87,827	84,707	81,107	77,707
27	Renewal Bonus	4,286	5,641	10,791	46,292	6,360	2,143	26,660
28	Taxes -							
29	Ad Valoreum	-	22,771	27,139	44,852	48,793	53,749	59,431
30	Gross Production	-	3,937	7,722	10,379	13,742	14,675	23,387
31	Total Production Costs	$147,482	$184,489	$220,536	$283,093	$264,920	$265,965	$339,275
32	M C F Produced for Year	5,835,900	6,172,800	8,145,657	9,321,854	11,835,017	12,266,349	19,137,276
33	Production Costs per M C F Produced -							
34	Hugoton Field	2.5272¢	2.9887¢	2.7074¢	3.0369¢	2.2384¢	2.1682¢	1.7728¢
35	Both Fields - Combined							
36	Total Production Costs	$309,291	$416,547	$479,595	$567,126	$563,133	$593,756	$707,864
37	M C F Produced for Year	25,578,900	29,796,400	35,780,657	40,231,454	44,290,517	48,302,349	60,399,276
38	Production Costs per M C F Produced -							
39	Main Line	1.2092¢	1.3980¢	1.3404¢	1.4097¢	1.2715¢	1.2292¢	1.1720¢

Schedule 4
Witness Hinton

TRANSPORTATION COSTS PER M C F PRODUCED BY FIELDS - ESTIMATED FUTURE LOAD
FOR THE YEARS 1940 to 1946 INCLUSIVE
(Year 1940 - Actual, Year 1941 - 6 months actual and 6 months estimated, and the years 1942 to 1946 inclusive - estimated)

Line No.	Nature of Costs (A)	1940 (B)	1941 (C)	1942 (D)	1943 (E)	1944 (F)	1945 (G)	1946 (H)
1	Panhandle Field							
2	Transmission -							
3	Operation	$9,851	$12,419	$14,500	$15,323	$15,979	$16,263	$18,622
4	Maintenance	3,422	5,181	7,042	7,650	7,984	8,360	9,573
5	Measurement -							
6	Operation	9,289	7,075	8,414	11,504	12,217	12,749	13,306
7	Maintenance	1,313	1,072	1,294	1,714	1,886	1,932	1,981
8	Compressor -							
9	Operation - Hansford	-	27,649	40,446	44,940	47,014	51,557	59,147
10	Maintenance - Hansford	-	6,118	6,613	7,431	7,784	8,318	10,001
11	Operation - Sneed	39,233	46,889	64,749	74,067	80,401	91,896	110,118
12	Maintenance - Sneed	6,471	6,535	7,063	7,680	8,314	8,885	10,683
13	Dehydration Plant - Sneed							
14	Operation	-	2,553	2,987	3,341	3,508	3,895	4,460
15	Maintenance	-	329	401	450	474	525	604
16	Total Transportation Costs	$69,559	$115,819	$153,509	$174,000	$185,561	$204,180	$238,495
17	M C F Produced for Year	19,743,000	23,623,600	27,635,000	30,909,600	32,455,500	36,036,000	41,262,000
18	Transportation Costs per M C F Produced -							
19	Panhandle Field	0.3523¢	0.4903¢	0.5555¢	0.5629¢	0.5717¢	0.5666¢	0.5780¢
20	Hugoton Field							
21	Transmission -							
22	Operation	$7,759	$10,445	$16,767	$18,814	$20,740	$23,487	$26,495
23	Maintenance	2,260	3,064	5,645	6,402	7,108	8,666	10,000
24	Measurement -							
25	Operation	7,807	8,238	10,200	13,973	15,633	17,357	20,057
26	Maintenance	1,314	1,611	2,544	2,887	3,264	3,530	4,070
27	Compressor -							
28	Operation	-	-	-	-	-	-	23,832
29	Maintenance	-	-	-	-	-	-	6,250
30	Total Transportation Costs	$19,140	$23,358	$37,156	$42,076	$46,745	$53,040	$90,704
31	M C F Produced for Year	5,835,900	6,172,800	8,145,657	9,321,854	11,835,017	12,266,349	19,137,276
32	Transportation Costs per M C F Produced -							
33	Hugoton Field	0.3280¢	0.3784¢	0.4561¢	0.4514¢	0.3950¢	0.4324¢	0.4739¢
34	Both Fields - Combined							
35	Total Transportation Costs	$88,699	$139,177	$190,665	$216,076	$232,306	$257,220	$329,199
36	M C F Produced for Year	25,578,900	29,796,400	35,780,657	40,231,454	44,290,517	48,302,349	60,399,276
37	Transportation Costs per M C F Produced -							
38	Main Line	0.3468¢	0.4671¢	0.5329¢	0.5371¢	0.5245¢	0.5325¢	0.5450¢

SUMMARY OF PRODUCTION AND TRANSPORTATION COSTS PER M C F PRODUCED BY FIELDS -
ESTIMATED FUTURE LOAD FOR THE YEARS 1940 to 1946 INCLUSIVE

(Year 1940 - actual, Year 1941 - 6 months actual and 6 months estimated;
and the years 1942 to 1946 inclusive - estimated)

Line No.	Description (A)	1940 (B)	1941 (C)	1942 (D)	1943 (E)	1944 (F)	1945 (G)	1946 (H)
		¢	¢	¢	¢	¢	¢	¢
1	Panhandle Field							
2	Production Costs per M C F Produced	0.8196	0.9825	0.9374	0.9189	0.9188	0.9096	0.8933
3	Transportation Costs per M C F Produced	0.3523	0.4903	0.5555	0.5629	0.5717	0.5666	0.5780
4	Totals - Panhandle Field	1.1719	1.4726	1.4929	1.4818	1.4905	1.4762	1.4713
5	Hugoton Field							
6	Production Costs per M C F Produced	2.5272	2.9887	2.7074	3.0369	2.2384	2.1682	1.7728
7	Transportation Costs per M C F Produced	0.3280	0.3784	0.4561	0.4514	0.3950	0.4324	0.4739
8	Totals - Hugoton Field	2.8552	3.3671	3.1635	3.4883	2.6334	2.6006	2.2467
9	Both Fields - Combined							
10	Production Costs per M C F Produced	1.2092	1.3980	1.3404	1.4097	1.2715	1.2292	1.1720
11	Transportation Costs per M C F Produced	0.3468	0.4671	0.5329	0.5371	0.5245	0.5325	0.5450
12	Totals - Main Line	1.5560	1.8651	1.8733	1.9468	1.7960	1.7617	1.7170

EXHIBIT 145

Date of Filing: December 24, 1941 Registration No. 2-4919

Amendment Filed: January 20, 1942

5047

Effective Date: January 21, 1942, as of January 12, 1942

PANHANDLE EASTERN PIPE LINE COMPANY

COMPILED REGISTRATION STATEMENT

COVERING ISSUES OF

$10,000,000 FIRST MORTGAGE AND FIRST LIEN 3% BONDS, SERIES C, DUE JANUARY 1, 1962

and

150,000 SHARES OF % CUMULATIVE PREFERRED STOCK

(Par Value $100 per share)

This document is a reprint of the Registration Statement originally filed with the Securities and Exchange Commission on December 24, 1941, as amended on January 20, 1942, and which became effective on January 21, 1942, as of January 12, 1942 for the purpose of the Company's Invitation for Bids for the Purchase of the Bonds and Stock, except that the exhibits, the statements of eligibility and qualification of the Trustees and the Prospectus which were filed are not included herein. The signatures which appear on page 96 are those of the directors and officers signing the original statement filed December 24, 1941. Information as to any other public offering of the Bonds and Stock will be given by post-effective amendment to the Registration Statement.

This document is not official; it has been prepared only for the convenience of the Company and of prospective bidders; and it is not for general circulation. It does not take the place of the Prospectus and must not be used as a Prospectus. The Securities and Exchange Commission has not made any finding that the statements in the Registration Statement and the amendment thereto are correct, nor has it approved or disapproved the securities registered thereunder.

(Compiled January 21, 1942)

EXHIBIT 145.

Date of Filing: Registration No. 2-4919

Effective Date:

5049

(The above to be left blank by the registrant)

FORM A-2

For Corporations

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C.

REGISTRATION STATEMENT

Under

SECURITIES ACT OF 1933

PANHANDLE EASTERN PIPE LINE COMPANY

(Name of Registrant)

Securities Registered

Title of Issue, or Issues	Amount
First Mortgage and First Lien 3% Bonds, Series C, due January 1, 1962	$10,000,000
—% Cumulative Preferred Stock (par value $100 per share)	150,000 shares

Amount of Filing Fee: $2,625.00

Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of this Registration Statement. See the answer to Item 21.

Name and address of person authorized to receive notices and communications from the Securities and Exchange Commission:

KEITH V. WATKINS, Secretary,
Panhandle Eastern Pipe Line Company,
90 Broad Street, New York, New York.

EXHIBIT 145.

5051

ORGANIZATION

1. **Exact name of registrant:**

PANHANDLE EASTERN PIPE LINE COMPANY (herein sometimes called "the Company").

2. **Address of principal executive offices:**

1221 Baltimore Avenue, Kansas City, Missouri, and 90 Broad Street, New York, New York.

3. **The state or other sovereign power under which incorporated, and the date of incorporation:**

State of Delaware, under name Interstate Pipe Line Company, on December 23, 1929. Name changed to Panhandle Eastern Pipe Line Company on May 9, 1930.

4. **List the following and indicate the respective percentages of voting power as required by the Instructions:**

(a) All subsidiaries of the registrant. (1)	**Percentage of Voting Power of Securities Owned by Panhandle Eastern Pipe Line Company**
Illinois Natural Gas Company, an Illinois corporation	100%

(b) All parents of the registrant.	**Percentage of Voting Power of Securities of Panhandle Eastern Pipe Line Company Owned — Percentage Within Classes**	**To Total (3)**
Gano Dunn, Trustee for Columbia Oil & Gasoline Corporation appointed pursuant to Decree dated January 29, 1936, in Cause No. 1099 in Equity in the District Court of the United States for the District of Delaware (4)		
Common Stock	50.1%	56.1%
Preferred Stock		
Class A (2)	100%	
Class B	100%	
Missouri-Kansas Pipe Line Company		
Common Stock	42.0%	37.0%

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(1) The Company intends to use a part of the proceeds of the sale of the securities being registered hereunder to acquire 100% of the outstanding securities of Michigan Gas Transmission Corporation, a Delaware corporation and of Indiana Gas Distribution Corporation, an Indiana corporation.

(2) The Company intends to use a part of the proceeds of the sale of the Cumulative Preferred Stock being registered hereunder to redeem all of its presently outstanding Class A Preferred Stock.

(3) This percentage relates to voting power on all matters except the election of directors. As to the latter the Class B Preferred Stock has the right to elect two directors, the balance being elected by the Common Stock by cumulative voting.

(4) The Decree states, in effect, that its purposes are to provide against domination or control, direct or indirect, in the affairs of the Company by Columbia Gas & Electric Corporation, and the maintenance of the Company in a position of free and independent action in the production, transmission, sale and distribution of natural gas in competition with others.

The Company is unable to make any representation with respect to the degree of control exercised by Columbia Gas & Electric Corporation over Columbia Oil & Gasoline Corporation. However, the Company is informed that Columbia Gas & Electric Corporation owns all of the outstanding Twenty-Year Debentures of Columbia Oil & Gasoline Corporation, and all the Preferred Stock of Columbia Oil & Gasoline Corporation, the holders of which, voting as a class, are entitled to elect the greatest number of directors which shall constitute a minority, and that the holders of the Common Stock of Columbia Oil & Gasoline Corporation, none of which is owned by Columbia Gas & Electric Corporation, are entitled, voting as a class, to elect the smallest number of directors which shall constitute a majority, but none of the directors

so elected by the holders of the Common Stock may be a director, officer or employee of Columbia Gas & Electric Corporation or any of its subsidiaries.

The following provisions of the Decree are quoted to indicate the relationship to the Company of Columbia Oil & Gasoline Corporation and Columbia Gas & Electric Corporation: Such provisions as do not affect this relationship are omitted.

Section II provides:

"That the defendants be and they are hereby perpetually enjoined from exercising, or attempting, individually or collectively, directly or indirectly, to exercise any dominion or control over Panhandle Eastern, and from restraining, or interfering in any manner with the free and independent action of said Panhandle Eastern in the production, transportation, sale or delivery of natural gas to any person, corporation, community or section of the United States; from holding, acquiring, voting or in any manner acting as the owners, directly or indirectly, of the whole or any part of the stock, or other share capital, or bonds, property or assets of Panhandle Eastern or any other company, corporation, association or organization owning any substantial amount of its securities; and from participating in any way, directly or indirectly, or from exercising any control, direction, supervision, or influence, in the management or control of Panhandle Eastern; except

* * * * * * *

"(c) That Columbia Gas and defendant Hillman may own or acquire obligations, without present or potential voting rights, of said Panhandle Eastern, except that Columbia Gas is hereby enjoined and restrained in connection with enforcing any rights under said obligations with respect to principal, interest or sinking fund, from acquiring any of the pipe line or other physical assets of Panhandle Eastern;

"(d) That Columbia Oil may own or acquire stock or obligations in Panhandle Eastern and exercise voting rights appurtenant thereto (and defendant Bay may be and exercise the lawful rights of an officer of Panhandle Eastern), subject to the further terms and provisions of this decree, but Columbia Gas is hereby perpetually enjoined and restrained from acquiring any interest in such stock, by operation of law, or in connection with enforcing any lien created through the present or future existence of any debt, whether funded or unfunded, of Columbia Oil to Columbia Gas, or otherwise;

"(e) That, when Columbia Gas has effectively divested itself of all control, direct or indirect, legal or practical, of Panhandle Eastern by no longer owning stock of any class having present or potential voting rights in Columbia Oil, upon the approval of this Court Columbia Oil shall no longer be subject to the restrictive clauses of this Section II;"

Section III provides

"That Gano Dunn is hereby nominated, constituted and appointed Trustee for the purposes and with the powers and duties set forth in this Section III;

"That within 10 days after the entry of this decree Columbia Oil shall execute, and deposit with said Trustee the agreements and offers executed by it in accordance with its agreements set forth in Section V of the stipulation pursuant to which this decree is entered;

"That within 10 days after the entry of this decree Columbia Oil shall transfer all of its stock now owned and thereafter all stock subsequently acquired in Panhandle Eastern, having present or potential voting rights, to said Trustee to hold the legal title to said stock and to exercise all the rights and privileges incidental to the absolute ownership thereof upon the following terms and conditions:

"(a) To vote said stock for the election of as many directors of Panhandle Eastern as the number of shares thereof may be entitled to elect; *Provided*, that one of the directors so elected shall be the trustee, and that the remainder shall be selected from among persons recommended by the beneficial owner of said stock, in conference and with the advice of the Trustee, but not including any of the individual defendants herein or any one (except with the approval of the Trustee and this Court) who after January 1, 1931, has been or hereafter becomes an officer, director, agent or employee of Columbia Gas; and that, as to the directors so selected, the trustee is empowered to remove and replace such directors with

others of his own choosing upon his own motion, if in his judgment such action is necessary in the interest of Panhandle Eastern or for the effectuation of the purposes of this decree; subject, however, in this as well as in the exercise of all other powers to the authority of this Court upon the motion and showing of any party hereto, or upon its own motion, to restrain said Trustee from abuses of sound discretion, in view of the purposes of this decree and the law under which it is entered, or in case said Trustee does not act in good faith hereunder;

"(b) To vote said stock upon all other questions and matters in which the stock is entitled to vote, as directed by the beneficial owners thereof, except when such directions are inconsistent with the purposes of this decree;

* * * * * * *

"(e) To pay over to Columbia Oil all dividends received upon said stock, except that dividends in the form of stock having present or potential voting rights shall be retained by the trustee subject to the same terms and conditions as the other shares held hereunder;

"(f) To exercise all rights to subscribe to additional stock or other securities of Panhandle Eastern as Columbia Oil may direct;

* * * * * * *

"That the trust hereby created shall be and remain in full force and effect until terminated with the approval of this Court when (1) Columbia Gas has effectively divested itself of all control, direct or indirect, legal or practical, of Panhandle Eastern by (a) no longer owning stock of any class having present or potential voting rights in Columbia Oil or (b) by Columbia Oil divesting itself of ownership of all stock of Panhandle Eastern; or when (2), under the circumstances then existing, the continuation of said trust is no longer essential or necessary in carrying out the purposes of this decree; *Provided*, that no such stock of Panhandle Eastern shall be divested by transfer to any competitor of Panhandle Eastern or without prior notice and full disclosure of the facts to petitioner."

Section IV provides:

"That the defendants be and they are hereby perpetually enjoined from restraining or interfering in any manner in the freedom of Panhandle Eastern to contract or to finance or arrange the financing of all contracts, extensions (including the proposed new line to Detroit, whether or not built and owned by it), repairs, maintenance, service, or improvements necessary in its business through or with any firm, person or corporation with whom it may choose to deal (and to that end any such financial or contractual arrangements made by Panhandle Eastern to consummate its contract dated August 31, 1935, with the Detroit City Gas Company shall be subject to the approval of the trustee who shall receive, and consider the advisability of, alternative methods of financing from any responsible underwriter);

"That if such contracts be made with or financial assistance be secured from Columbia Gas, such contracts may be made or financial assistance furnished only upon terms or conditions which do not in any way, directly or indirectly, presently or potentially, confer upon Columbia Gas any voting rights, control or participation in the management of Panhandle Eastern or confer any rights of ownership in the works or properties of Panhandle Eastern except as security for the investment; and in the event that Columbia Gas shall, with respect to any contract or any contractual rights of any kind whatsoever or any property held as security or used in connection with any contract, in any way prevent the free transportation, sale, and distribution of gas by Panhandle Eastern, then upon application to this Court or any court of competent jurisdiction Panhandle Eastern shall have the right (1) to the immediate appointment of a trustee to hold such contract rights or property subject to the purposes and provisions of this decree; (2) to immediate specific performance of any and all contracts with Columbia Gas; and (3) to immediate injunction, both temporary and final, as well as any other appropriate remedy at law or in equity, including any remedy hereunder."

Reference is made to Item 6, under the heading "Certain Other Phases of Corporate History", for a statement with respect to possible change in ownership of the Company's Common Stock and Class A and Class B Preferred Stock now held, as above stated, by Gano Dunn as Trustee for Columbia Oil & Gasoline Corporation. The Company intends to use a part of the proceeds of the sale of the Cumulative Preferred Stock being registered hereunder to redeem all of its presently outstanding Class A Preferred Stock.

An application for an order declaring that the Company is not a subsidiary, within the purview of the Public Utility Holding Company Act of 1935, of Columbia Gas & Electric Corporation and/or Columbia Oil & Gasoline Corporation and/or Missouri-Kansas Pipe Line Company has been denied by the Securities and Exchange Commission with respect to Columbia Gas & Electric Corporation and Columbia Oil & Gasoline Corporation and granted with respect to Missouri-Kansas Pipe Line Company.

The Company is informed that Columbia Gas & Electric Corporation is a subsidiary of The United Corporation as that term is defined in the Public Utility Holding Company Act of 1935. The Company is unable to make any representation with respect to the degree of control exercised by The United Corporation over Columbia Gas & Electric Corporation or Columbia Oil & Gasoline Corporation. However, the Company understands that approximately 19.6% of the common stock of Columbia Gas & Electric Corporation and approximately 3.6% of the common stock of Columbia Oil & Gasoline Corporation were beneficially held of record as of December 31, 1941 by The United Corporation.

HISTORY AND BUSINESS

5. Outline briefly the general character of the business done and intended to be done by the registrant and its subsidiaries.

The Company is engaged in the production, purchase, transmission and sale of natural gas, the major part of which is sold to gas transmission companies and to gas distribution companies for resale. The Company's principal natural gas transmission system, which was placed in practical operation in the early part of 1932, extends from the Amarillo gas field in the Texas Panhandle and from the Hugoton gas field in Southwestern Kansas through the States of Oklahoma, Kansas, Missouri and Illinois, to a point near Dana, Indiana, adjacent to the Illinois-Indiana boundary. The Company also operates, as a separate unit, a minor transmission system located in the general vicinity of Kansas City, Missouri.

The Company intends to use a part of the proceeds of the sale of securities being registered hereunder to acquire all of the outstanding securities of Michigan Gas Transmission Corporation (a wholly-owned subsidiary of Columbia Gas & Electric Corporation). The natural gas pipe line system of Michigan Gas Transmission Corporation is located in the States of Indiana, Ohio and Michigan, and consists principally of pipe lines extending from the present eastern terminus of the Company's system at Dana, Indiana, to points near Detroit, Michigan and Muncie, Indiana. Reference is hereby made to the answer to Item 29 for a brief statement as to the business and property of said corporation.

The Company produces approximately one-half of its gas requirements and purchases the remainder from others.

The Company's largest customer is Michigan Consolidated Gas Company (formerly Detroit City Gas Company), which company purchases from the Company the natural gas it resells through its distribution systems in Detroit and Ann Arbor, Michigan, and environs. Natural gas sold to Michigan Consolidated Gas Company is delivered by the Company to Michigan Gas Transmission Corporation at the latter's western terminus near Dana, Indiana, for transmission and redelivery to Michigan Consolidated Gas Company. During the 12 months ended September 30, 1941, such sales in M.C.F. to Michigan Consolidated Gas Company amounted to approximately 39% of the Company's total sales.

The Company has entered into a contract with Consumers Power Company in which it has, among other things, agreed to construct certain pipe lines in Michigan and to supply a major part of the natural gas requirements of Consumers Power Company for distribution in its Flint, Pontiac, Jackson, Kalamazoo, Owosso and Battle Creek Divisions. Natural gas to be sold through the Company's proposed Michigan pipe lines will be transported by Michigan Gas Transmission Corporation from a point near Dana, Indiana to the point of connection of that company's system with the Company's proposed Michigan lines.

The Company supplies natural gas to a number of communities in central Indiana and in northwestern Ohio, the more important customers being Central Indiana Gas Company and Richmond Gas Corporation. Deliveries of natural gas to the Company's customers located in Indiana and in Ohio are also made through Michigan Gas Transmission Corporation.

The Company also sells gas to Michigan Gas Transmission Corporation for resale by that company to certain distributing companies and municipalities in Indiana. The

facilities also included, among other things, the acquisition of additional gas reserves, the drilling of additional wells, and the construction of a gasoline extraction and gas dehydration plant. During this period approximately $21,000,000 was expended by the Company and its subsidiary for such expansion of facilities. During the year 1941 the Company authorized certain construction work of a similar nature, a large part of which is now in progress, involving expenditures then estimated at approximately $9,000,000. It is anticipated that the ultimate cost of such work may exceed such estimate by approximately 10%. At the present time the Company has priority ratings for material involved in such construction work considered by it to be generally satisfactory.

The following tabulation shows for the past 5 calendar years, and for the 12 months ended September 30, 1941, for the Company and its wholly owned subsidiary companies the sales of gas in M.C.F. (thousands of cubic feet) to customers by states and groups of states:

Year	Texas, Oklahoma and Kansas	Missouri	Illinois	Indiana and Ohio*	Michigan	Total
1936	2,500,332	6,803,511	7,257,283	6,229,747	3,957,058	26,747,931
1937	2,366,788	7,276,270	7,554,821	7,639,485	15,969,598	40,806,962
1938	2,955,385	6,857,223	6,601,142	8,739,715	16,032,297	41,185,762
1939	2,479,149	8,009,919	7,398,929	12,953,121	18,391,954	49,233,072
1940	2,120,646	8,860,840	8,557,633	14,574,370	22,281,273	56,394,762
12 months ended September 30, 1941	2,180,719	9,887,598	8,959,441	17,034,842	23,758,348	61,820,948

* Sales of gas in Ohio commenced in the year 1939 and amounted to 55,015 M.C.F. for that year and amounted to 150,693 M.C.F. in the year 1940. For the 12 months ended September 30, 1941, sales of gas in Ohio amounted to 182,924 M.C.F.

A considerable part of the increase in sales of gas indicated by the above table has been due to the commencement of natural gas service to communities not theretofore served with natural gas from the Company's system. Since January 1, 1936 such new natural gas service (directly and indirectly from the Company's system) has been extended to 64 communities having an aggregate population of approximately 2,323,000.

Reference is also made to the answer to Item 5 hereof for certain other developments within the preceding five years.

Certain Other Phases of Corporate History

Immediately prior to September 17, 1930, all of the capital stock of the Company was owned by Missouri-Kansas Pipe Line Company (hereinafter sometimes called "Mokan"). Pursuant to an agreement dated September 17, 1930, Mokan sold 50% of the Company's then outstanding (common) stock to Columbia Oil & Gasoline Corporation (hereinafter sometimes called "Columbia Oil"). Said agreement also provided for the financing of the Company, a part of which was an issue of $20,000,000 principal amount of Twenty Year Sinking Fund Mortgage Gold Bonds, Series A, 6%, which were sold to The National City Company, which sold these bonds to Columbia Oil. The latter disposed of them in 1936. These bonds were redeemed by the Company in 1937. On March 6, 1935, the United States Government instituted an anti-trust suit against Columbia Oil, Columbia Gas & Electric Corporation (hereinafter sometimes called "Columbia Gas"), George H. Howard, Philip G. Gossler, Charles A. Munroe, Thomas R. Weymouth, Thomas B. Gregory, Edward Reynolds, Jr., Burt R. Bay and John H. Hillman, Jr., alleging among other things that the defendants had dominated the Company for the purpose of preventing competition between the Company and Columbia Gas. In October, 1935, the Government amended its Bill of Complaint in said suit. This suit was terminated by Stipulation and Consent Decree entered January 29, 1936, a copy of which is incorporated by reference as Exhibit K-1 to this Registration Statement, to which reference is hereby made for a complete statement of its provisions. On July 18, 1935, Henry T. Bush and C. Ray Phillips, as Receivers of Mokan, instituted a suit for damages against Columbia Gas, Columbia Oil and certain individual defendants, claiming damages by reason of the alleged domination of the Company by these defendants. Said suit was settled on or about April 29, 1936; copies of the offer of settlement as extended and modified and of the acceptance thereof are incorporated by reference as Exhibit K-2 to this Registration Statement, to which reference is hereby made for a complete statement of their provisions.

The Company is informed that in the above-mentioned anti-trust suit the United States Government filed a supplemental complaint on or about December 21, 1938,

alleging among other things that since the entry of the decree of January 29, 1936, no steps of any kind had been taken toward the effective termination of all control by Columbia Gas of the Company, that the only effective way to restore and maintain a position of free and independent action for the Company is to require Columbia Gas to divest itself of all stock of any class having existing or potential voting rights in Columbia Oil, or to require Columbia Oil to divest itself of ownership of all stock of the Company, and that to accomplish the purpose of said decree it is necessary to supplement it by a further order requiring the formulation and submission to the Court for approval of a suitable plan or plans to accomplish such termination. The Company is further informed that in such supplemental complaint the Government prayed that a judgment be entered directing that Columbia Gas divest itself of all control, legal or practical, of the Company, and to that end that plans to accomplish such divestiture be submitted to the Court for approval and that the voting trust established pursuant to said decree of January 29, 1936, be re-constituted to make said Trustee a trustee for sale of the stock of the Company beneficially owned by Columbia Oil in the manner specified in such supplemental complaint. The Company is further informed that answers to such supplemental complaint were filed on behalf of defendants, containing, in effect, a general denial of the allegations in such supplemental complaint and certain affirmative defenses, and that the above-mentioned proceeding is still pending.

The Company is further informed that in the above-mentioned anti-trust suit the United States Government filed two notices of motion on or about May 15, 1939, one of said motions being to permit the Government to withdraw, without prejudice, the above-mentioned supplemental complaint filed on or about December 21, 1938, and the other of said motions being to vacate the decree of January 29, 1936, to permit the Government to serve and file an amended and supplemental complaint, and to maintain in statu quo pending adjudication of the issues tendered by said amended and supplemental complaint, the relationships among the defendants in such suit and Gano Dunn as Trustee appointed pursuant to the decree of January 29, 1936. The Company is further informed that said amended and supplemental complaint alleges among other things that said decree of January 29, 1936, failed to nullify elements of control over the Company by Columbia Gas which existed at the time of entry of such decree, that the Company has been precluded from engaging in commerce in natural gas and from competing in any manner with Columbia Gas and Columbia Oil in the States of Indiana, Michigan and Ohio, and that the acquisition of the capital stock of Michigan Gas Transmission Corporation by Columbia Gas has had the effect of restraining commerce in natural gas in said States and of tending to create therein a monopoly in natural gas; and that said amended and supplemental complaint prays that the court adjudge among other things that the defendants have violated the Sherman Anti-Trust Act and the Clayton Act in the manner therein specified, that Columbia Oil shall proceed forthwith to sell all interest which it may now have or may hereafter acquire in any securities of the Company, and that Columbia Gas shall proceed forthwith to sell all interest which it may now have or may hereafter acquire in any securities of Michigan Gas Transmission Corporation. The Company is further informed that defendants in such suit opposed such motion and that no decision thereon has as yet been rendered by the Court. The Company is further informed that the proceedings on the Government's supplemental complaint are still pending.

The Company is further informed that in the above-mentioned anti-trust suit Columbia Oil and Columbia Gas filed a notice of motion on or about June 20, 1939, for an order providing, among other things, that the decree of January 29, 1936, shall, upon the approval of the Court and of the Securities and Exchange Commission of the proposed plan annexed to the notice of motion, be modified in the manner set forth in such notice of motion, to meet the changed conditions resulting from the carrying out of such plan, such modification including the termination of the above-mentioned trusteeship of Gano Dunn of the Company's common stock and Class A and Class B preferred stock and the retransfer of said stock to Columbia Oil. The Company is further informed that such proposed plan provides, among other things, that Columbia Oil shall transfer to Columbia Gas substantially all of the assets of the former corporation other than the Company's said stock, that Columbia Oil will agree to use its best efforts to dispose of the Company's said Class A preferred stock, and that other action be taken as set forth in such proposed plan, with a view to nullifying any control over the Company by Columbia Gas which may have heretofore existed.

The Company is further informed that the proposed plan, mentioned in the next preceding paragraph, provides, among other things, that the number of directors of

Columbia Oil shall be no larger than the number of directors to which that corporation may be entitled upon the board of directors of the Company, and that the directors of Columbia Oil shall be designated by that corporation as its representatives upon the board of directors of the Company, and that such directors and the officers of that corporation shall be not objectionable to the Department of Justice. The Company is further informed that such plan also provides substantially as follows: Subject to the approval of the Securities and Exchange Commission, if required by law, Columbia Gas shall sell the stock and indebtedness of Indiana Gas Distribution Corporation and Michigan Gas Transmission Corporation owned by it to the Company at any time within one year from the date of the entry of an order approving such plan, if the Company wishes to buy the same, for a price equal to the actual investment of Columbia Gas therein, provided the Company also purchases at the same time the gas pipe line in Indiana belonging to The Ohio Fuel Gas Company for the price of $355,191; however, if during said year, Columbia Gas receives from other sources, not connected directly or indirectly with it, an offer satisfactory to it to purchase such stock and indebtedness, Columbia Gas will give the Company written notification of the proposed terms of sale and give the Company ninety days within which to meet such terms; if during such ninety-day period, the Company does not meet the terms of said outside offer, then Columbia Gas shall be free to accept said offer.

The Company is further informed that on July 10, 1939, when the above-mentioned motion filed on or about June 20, 1939, by Columbia Oil and Columbia Gas came on to be heard, the Court entered an order providing, in effect, (a) that the matter be referred to William Prickett, Esq., of Wilmington, Delaware, as Special Master, to consider said motion and the proposed modifications of the Decree of January 29, 1936, set forth in said motion, and to take testimony, hear arguments of counsel and make report to the Court of his findings of fact, conclusions of law and recommendations concerning said motion; (b) that said Special Master forthwith proceed with the hearings directed in said order to be held, report to the Court after the conclusion of such hearings, embody his said findings, conclusions and recommendations in a report to be filed with the Court and give notice of such filing to the parties to said proceeding, and that exceptions by any party to any such finding or recommendation be thereafter filed with the Court; and (c) that the City of Detroit, Michigan, the City of Toledo, Ohio, and Mokan be permitted by the Special Master to appear at the hearings before him, as *amici curiae* but not as intervenors.

The Company is further informed as follows: During the hearings before said Special Master, Columbia Oil and Columbia Gas amended said plan in two respects, viz., (1) by striking therefrom the above-mentioned provision as to the directors of Columbia Oil, and inserting in lieu thereof provisions that the representatives of Columbia Oil on the board of directors of the Company shall be directors of Columbia Oil, that as early as practicable after the entry of the final order approving said plan, the directors of the Company, who now represent Columbia Oil, shall resign and be succeeded by persons who shall have been elected as directors of Columbia Oil under said plan, that Columbia Oil will, subject to the necessary authorization by its stockholders, amend its articles of incorporation or take such other appropriate action as may be required by law to divide its board of directors into three classes, the term of office of the first class to expire at the annual meeting next ensuing after such classification, the term of office of the second class one year thereafter, and the term of office of the third class two years thereafter, that of the directors initially to be chosen under said plan, the maximum number permissible by law shall be elected for the longest term, and that for a period of five years from the date of entry of the order approving said plan no person shall be qualified to be elected and serve as a director of Columbia Oil who shall be objectionable to the Department of Justice; and (2) by providing that the carrying out of said plan shall be contingent upon the approval to the extent required by law of the Securities and Exchange Commission, and necessary and appropriate corporate action by the stockholders of Columbia Oil. During said hearings it was stated, in effect, that Columbia Oil and the Department of Justice had agreed upon the following persons as the new directors of Columbia Oil if said plan becomes effective: Raymond Wesley Starr, of Grand Rapids, Michigan; George James Burke, of Ann Arbor, Michigan; Richard C. Patterson, Jr., of New York City; David H. Goodwillie, of Toledo, Ohio; Frank J. Lewis, of Chicago, Illinois; J. Donald Duncan, of New York City; and James Bruce, of Baltimore, Maryland, and New York City; the last two persons named having been so chosen to represent the stockholders of Columbia Oil who are not also stockholders of Columbia Gas; and that if said plan becomes effective, the number of directors of the Company to which Columbia Oil shall

be entitled shall be elected by Columbia Oil as directors of the Company (which directors would under present conditions serve as such directors in the place and stead of Joe D. Creveling, Gano Dunn, Henry H. Heimann, Walter G. Mortland and Raymond A. Ransom, said Richard C. Patterson, Jr. having since been elected a director). During such hearings it was also stated that the Department of Justice reserved the right to object to the approval of said plan by the Court unless certain large stockholders of Columbia Oil dispose of their stockholdings in said corporation. The hearings commenced before the Special Master on July 14, 1939, and concluded with the filing of briefs on July 25, 1939, and the Special Master filed his report on or about July 29, 1939, recommending that the Court approve said plan, as amended at the hearings, and grant the motion of Columbia Gas and Columbia Oil for the modification of the decree in accordance with the terms of said plan upon the approval of the Securities and Exchange Commission, to the extent required by law, and upon the taking of appropriate corporate action by the stockholders of Columbia Oil, as contemplated by said plan. On or about April 23, 1940, the District Court heard argument on the motion of Columbia Gas and Columbia Oil for confirmation of the report and on the objections and exceptions to the report which had been filed. At the hearing the Department of Justice continued to urge its objection that Mr. Gossler and certain officers and directors of Columbia Gas should dispose of their stockholdings in Columbia Oil, but took the position that the Court might defer action on its objections that other large stockholders of Columbia Oil should also dispose of their stockholdings in said corporation until the hearing before the Court upon an application for a final order for the effectuation and consummation of said plan. On January 18, 1941, the Court rendered an opinion approving the plan, as amended at the hearings before the Special Master and the modifications of the consent decree contemplated by the aforementioned motion, upon the condition that Mr. Gossler and certain officers and directors of Columbia Gas dispose of their stockholdings in Columbia Oil. The opinion recited, among other things, that The United Corporation had agreed to be made a party to the proceeding and for the decree therein to prohibit it from voting its stock of Columbia Oil without the prior approval of the Court except for the purpose of a quorum and for the proposed plan.

The Company is further informed as follows: On or about July 18, 1939, one David Young, III, as plaintiff, commenced an action in the United States District Court, for the District of Delaware, against Columbia Gas and Columbia Oil, as defendants. In his complaint in said action he alleged, among other things, that he is the owner of 100 shares of the common stock of Columbia Gas, that if said plan be effectuated, it will constitute a reckless and illegal disposition and waste of the assets of Columbia Gas, that he and all other stockholders of Columbia Gas, who are not also stockholders of Columbia Oil, will be irreparably damaged, and that on July 6, 1939, he commenced a similar suit in the Chancery Court of the State of Delaware to enjoin the carrying out of said plan and that the Chancellor of the State of Delaware refused a temporary restraining order in said suit on the ground that said suit should have been more properly brought in the United States District Court for the District of Delaware. In said complaint said plaintiff prays that Columbia Gas and Columbia Oil be enjoined, during the pendency of said action and permanently thereafter, from putting said plan into effect or attempting to carry out the same. In said action the Court denied said application for an injunction during the pendency of said action, and, in effect, ruled that said plan should not become effective prior to the trial of said action. On or about September 19, 1939, the Court referred this action to William Prickett, Esquire, Special Master, hearings were commenced before the Special Master on November 15, 1939, and were concluded December 22, 1939, and on August 10, 1940, after issuing his draft report recommending dismissal of this suit and after hearing argument on objections and exceptions which had been filed thereto, the Special Master filed his report recommending dismissal of the suit. On November 8, 1940, the District Court heard the exceptions and objections which had been filed to the report of the Special Master. On February 20, 1941, the District Court handed down its opinion approving the Special Master's report and holding that the stockholder's bill should be dismissed. An order dismissing the stockholder's bill was entered on March 3, 1941. On June 2, 1941, the stockholder filed in the District Court a notice of appeal from said order and on July 19, 1941 filed his Designation of Contents of Record on Appeal. No counter designations were filed by the appellees and the appellant filed the Record on Appeal on September 2, 1941 in the United States Circuit Court of Appeals for the Third Circuit. The Circuit Court of Appeals has extended the time within which the appellant may file his brief to and including December 31, 1941.

The Company is further informed that there is now pending in the United States District Court, for the Southern District of New York, an action brought by one Emma G. Moses, as plaintiff, against Columbia Gas and Columbia Oil, as defendants, in which substantially the same allegations are made and substantially the same relief is sought as the above-mentioned allegations and relief in said action brought by David Young, III. The Company is further informed that on or about January 2, 1940, upon motion of the defendants in said action, the District Court entered an order staying all further proceedings therein until twenty days after the final determination of the above-mentioned action brought by David Young, III, and extending the time of the defendants to move or answer for a further period of twenty days after the expiration of said stay.

The Company makes no representation as to whether said proposed plan will become effective and be consummated.

The Company is further informed that in May, 1939, the Attorney General of the United States requested permission to intervene in the proceeding before the Securities and Exchange Commission for the approval of the Integration Plan filed by Columbia Gas (Docket No. 54-12), the Attorney General alleging that his purpose in intervening was that he intended to apply to said Commission for orders (1) refusing to defer consideration of the status of the Company and Michigan Gas Transmission Corporation, and (2) disapproving any plan submitted or which may be submitted by Columbia Gas in such proceeding unless such plan provides for divesting Columbia Gas of all interest in and control over the Company and Michigan Gas Transmission Corporation. By order dated January 10, 1941 the Commission disapproved said Integration Plan.

The Company is further informed that on or about February 6, 1939, Mokan filed, on its own behalf and in a representative capacity as a stockholder of the Company, a motion for leave to intervene in the above-mentioned anti-trust suit, the motion papers praying, in effect, (1) that the defendants be adjudged guilty of contempt for failure to comply with and for having violated the provisions of the above-mentioned Decree of January 29, 1936; (2) that such Decree be interpreted, enlarged and enforced as follows: (a) that it be decreed that Columbia Gas holds as Trustee for the Company its pipe line from Dana to Zionsville, Indiana, and from Zionsville to Detroit, Michigan, and that Columbia Gas be directed forthwith to transfer said line to the Company, (b) that Columbia Gas be directed forthwith to cause Michigan Gas Transmission Corporation to transfer to the Company all contracts for the supply of gas entered into with any municipalities, persons, firms or corporations in Indiana, Michigan and Ohio since the entry of such Decree, (c) that Columbia Oil be ordered forthwith to surrender to the Company at cost for cancellation its Class B preferred stock of the Company and 80,000 shares of the common stock of the Company, (d) that Columbia Oil be ordered forthwith to sell its remaining stock of the Company to a purchaser or purchasers and upon terms to be approved by the Court, and (e) that the exceptions in Section II of such Decree quoted in the answer to Item 4(b) of this Registration Statement, be stricken out; and (3) that Gano Dunn be removed as Trustee, and that a new trustee be appointed pending divestiture by Columbia Oil of its securities of the Company. The Company is also informed that defendants in such suit opposed such motion, that after a hearing on such motion before the Court, the Court, by order dated March 30, 1939, denied such motion for leave to intervene, and that Mokan took an appeal from such order, which was subsequently consolidated with its appeal from the order denying its further motion for leave to intervene referred to in the next succeeding paragraph hereof, to the United States Circuit Court of Appeals, which consolidated appeals, as explained in the next succeeding paragraph, were dismissed by the United States Circuit Court of Appeals on or about December 15, 1939.

The Company is further informed that in the above-mentioned anti-trust suit, on July 10, 1939 Mokan presented a further motion for leave to intervene in said suit and a petition for an order directing that the above-mentioned motion filed therein by Columbia Oil and Columbia Gas on or about June 20, 1939, and the proposed plan (above mentioned) annexed thereto, be denied and disapproved, and that the Court supplement its said Decree of January 29, 1936, by such further order as to it may seem proper for the accomplishment of the declared purposes of said Decree by the divestiture of all ownership of Columbia Gas and Columbia Oil of securities of the Company. The Company is further informed that on July 10, 1939, the Court denied such motion and petition, that Mokan took an appeal therefrom, which was consolidated with

its appeal from the order of March 30, 1939, mentioned in the next preceding paragraph hereof, to the United States Circuit Court of Appeals, and that on July 20, 1939, the latter Court denied an application of Mokan for an order staying all proceedings with respect to the motion mentioned in the preceding paragraph pending the decision of that Court on said consolidated appeal by Mokan. The Company is further informed that on or about December 15, 1939, the United States Circuit Court of Appeals dismissed said consolidated appeals on the ground that it lacked jurisdiction thereof, that thereafter Mokan applied to the Supreme Court of the United States for a writ of certiorari to review the decision of the United States Circuit Court of Appeals of December 15, 1939, dismissing the consolidated appeals of Mokan, and that said application was denied by the Supreme Court of the United States on or about April 22, 1940.

A communication, dated January 15, 1940, from Mokan to the Company, its President, its Secretary and Controller, its Treasurer and each of its directors, was received by such addressees on or about that date. In such communication it was alleged, in effect, that despite the above-mentioned decree of January 29, 1936, the Company was not released from illegal control and the monopolization and restraint mentioned in said anti-trust suit were not ended, that Columbia Oil and Columbia Gas were restraining interstate commerce in the transmission and sale of natural gas through their control of Michigan Gas Transmission Corporation and that such restraint had injured and was injuring the Company, and that the fact of the continuation of the illegal acts was brought to the attention of the Board of Directors of the Company but that no action has been taken in this connection by the Company. In such communication Mokan, as a minority stockholder, demanded that the Company employ independent counsel and take the following action: (1) bring an action or actions for damages and for an accounting of the profits which Michigan Gas Transmission Corporation has made resulting from the contract of March 17, 1936 (mentioned in the answer to Item 41, to which reference is hereby made) which was imposed upon the Company by the Columbia companies, in which action Columbia Gas should be joined and required to account for all dividends and other moneys received by it from Michigan Gas Transmission Corporation which are traceable to such profits; (2) institute proceedings under the anti-trust laws against the Columbia companies, Michigan Gas Transmission Corporation and all corporations and individuals who have acted in concert with them to restrain interstate commerce in the transmission and sale of natural gas in Indiana, Ohio and Michigan, and to recover three-fold the damages suffered by the Company by virtue of said restraint; (3) institute an action against the parties mentioned in (2) above to enjoin them from continuing to violate the anti-trust laws, in which action the relief prayed for should include a prayer that Mr. Gano Dunn and the Columbia companies be restrained from exercising any voting control of the Company; (4) intervene in the above-mentioned anti-trust suit and request that the Columbia companies be held in contempt by virtue of their violations of paragraph IV of the above-mentioned consent decree and pray that the Columbia companies be required to sell to the Company all of the stock of Michigan Gas Transmission Corporation; (5) institute an action against Michigan Gas Transmission Corporation and the Columbia companies for the purpose of having the above-mentioned contract of March 17, 1936, cancelled on the ground that the Company was forced into such contract by virtue of the dominion and control exercised over it at the time by the Columbia companies; and (6) take any and all other steps and proceedings which may be deemed necessary, appropriate and advisable in the interest of the parties in the premises. Such communication also stated that Mokan offered, in the event independent counsel agreeable to it be selected to take the action demanded above, to hold the addressees harmless from any ultimate net loss through fees, costs and expenses incurred. It further stated that if the addressees fail to take all of the action outlined above on or before February 15, 1940, Mokan would take such action against said corporations and individuals as it is advised by counsel it may take as a stockholder of the Company or in its primary right. Following receipt of said communication of January 15, 1940, the Company appointed a committee to recommend to its Board of Directors the name of an independent counsel who would advise the Company as to what action, if any, should be taken with respect to said demands contained in such communication. That committee could not agree and did not make any recommendation to the Board of Directors of the Company with regard to any such independent counsel, and such Board has not taken any further action in connection with the aforesaid demands.

The Company is further informed as follows: In the above-mentioned anti-trust suit, on or about March 23, 1940, an application, allegedly in the name of the Company, was filed for leave to become a party to such suit for the limited purpose of enforcing

the rights conferred by Section IV of the above mentioned consent decree. Columbia Gas and Columbia Oil filed with the Court motions to dismiss such alleged application upon the grounds, among other things, that such application was not signed or verified by the Company and the attorneys whose names appear on the application as attorneys for the Company were not attorneys for it and were not authorized by the Company to act on its behalf. When such alleged application came on to be heard before the Court, counsel for Columbia Gas and Columbia Oil appeared in opposition, and Edward N. Goodwin, General Counsel of the Company, appeared and stated, among other things, to the Court that such application had not been authorized by the Company. By order dated April 23, 1940, the Court denied such application, and thereafter on or about June 14, 1940, the District Court allowed an alleged appeal by the Company from said order to the Supreme Court of the United States. On or about October 14, 1940, the Supreme Court of the United States decided to postpone further consideration of the question of the jurisdiction of that Court of said appeal until the hearing of the appeal on the merits. The Company also took an alleged appeal from said order of April 23, 1940, to the United States Circuit Court of Appeals, which appeal is now pending. A stipulation was entered into between the parties and filed in the last mentioned appeal in the Circuit Court of Appeals on October 19, 1940, providing that said appeal would be withdrawn and discontinued in the event the United States Supreme Court should accept jurisdiction of the appeal allowed by the District Court on June 14, 1940, and that if the United States Supreme Court should refuse to entertain jurisdiction of the appeal allowed to it, the time for appellant to file the Record on Appeal in the Circuit Court of Appeals would be extended to the tenth day following the Supreme Court's refusal to entertain jurisdiction. On March 3, 1941, after oral argument before it, the United States Supreme Court handed down its opinion affirming the order of the District Court, and thereafter, on a motion made by the appellant in the appeal pending in the Circuit Court of Appeals, said appeal was dismissed without prejudice.

The Company is further informed as follows: In the above-mentioned anti-trust suit, on or about April 15, 1940, Mokan on its behalf as a stockholder and on behalf of all other stockholders of the Company similarly situated, filed an application in behalf of and in the name of the Company, for leave to become a party to such suit for the limited purpose of enforcing the rights conferred by Section IV of said decree; and asking that a trustee be appointed to hold all the stock of Michigan Gas Transmission Corporation, that the above-mentioned Gano Dunn as Trustee be directed to deliver and surrender to the Company 80,000 shares of its capital stock, and that such trustee be directed to vote the common stock and the Class A and Class B preferred stock of the Company so that the provisions of such preferred stock may be amended to eliminate therefrom any voting rights. Columbia Gas and Columbia Oil opposed such application at a hearing thereon before the Court. By order dated April 23, 1940, the Court denied such application, and thereafter on or about June 14, 1940, the District Court allowed an appeal by Mokan from said order to the Supreme Court of the United States. On or about October 14, 1940, the Supreme Court of the United States decided to postpone further consideration of the question of the jurisdiction of that Court of said appeal until the hearing of the appeal on the merits. Mokan also appealed from said order of April 23, 1940, to the United States Circuit Court of Appeals, which appeal is now pending. A stipulation was entered into between the parties and filed in the last-mentioned appeal in the Circuit Court of Appeals on October 19, 1940, providing that said appeal would be withdrawn and discontinued in the event the United States Supreme Court should accept jurisdiction of the appeal allowed by the District Court on June 14, 1940, and that if the United States Supreme Court should refuse to entertain jurisdiction of the appeal allowed to it, the time for appellant to file the Record on Appeal in the Circuit Court of Appeals would be extended to the tenth day following the Supreme Court's refusal to entertain jurisdiction. On March 3, 1941, after oral argument before it, the United States Supreme Court handed down its opinion reversing the order of the District Court and granting Mokan's application to the extent of permitting it to intervene in the Government's anti-trust suit for the limited purpose of enforcing, on behalf of the Company, the rights conferred by Section IV of the Consent Decree entered in said suit on January 29, 1936. A petition for rehearing made by Columbia Gas and Columbia Oil was denied by the Supreme Court by order dated March 17, 1941, which amended the language of the Supreme Court's opinion of March 3, 1941 but did not change the ultimate result of its decision. On April 21, 1941, the District Court issued its order on the mandate from the Supreme Court (a) making Mokan a party to the anti-trust suit for the limited purpose aforementioned, (b) directing the defendants in said suit to answer the application of Mokan, and (c) making the Company a party to said suit

and granting it leave to file its answer to the application. Thereupon, the defendants in said suit filed their answers denying the material allegations of Mokan's application, and the Company filed its answer thereto neither admitting nor denying any of the allegations thereof. On or about May 5, 1941, A. Faison Dixon, Vice-President of Mokan, filed an affidavit of personal bias or prejudice on the part of Hon. John P. Nields, United States District Judge for the District of Delaware, against Mokan, and on May 6, 1941 said Hon. John P. Nields, District Judge, entered an order directing that an authenticated copy of the said affidavit of A. Faison Dixon should forthwith be certified to the Senior Circuit Judge of the United States Circuit Court of Appeals for the Third Circuit, to the end that such proceedings might be had thereon as are provided by law. No trial of said suit has as yet been had. On a motion made by the attorneys for Mokan in its appeal aforementioned pending in the United States Circuit Court of Appeals for the Third Circuit, said appeal was dismissed without prejudice.

On or about March 11, 1940, Mokan and Lucille I. Dammann instituted an action against Columbia Gas, Columbia Oil, Michigan Gas Transmission Corporation, the Company and Gano Dunn, in the United States District Court for the District of Delaware, praying, among other things, that the Court decree that the defendants (other than the Company) have been and are now engaged in a combination and conspiracy in restraint of trade in natural gas in violation of the anti-trust laws, that such defendants be perpetually enjoined from further engaging in such combination and conspiracy, that such defendants and the officers, directors and stockholders thereof be enjoined from holding and voting any part of the stock of the Company and Michigan Gas Transmission Corporation, that persons serving as directors of the Company who were named or elected by Columbia Oil or by Gano Dunn be enjoined from further serving in such offices, and that such defendants be enjoined from naming or electing any persons to serve as such directors. The Company filed an answer to the complaint in such action, and is informed that Columbia Gas, Columbia Oil, Michigan Gas Transmission and Gano Dunn filed motions to dismiss such complaint and for summary judgment. On or about August 27, 1940, A. Faison Dixon, Vice-President of Mokan, filed an affidavit of personal bias or prejudice on the part of Hon. John P. Nields, United States District Judge for the District of Delaware, against Mokan, one of the plaintiffs in said action; and thereafter Hon. Owen J. Roberts, Circuit Justice of the United States Circuit Court of Appeals, entered an order designating and appointing Hon. William H. Kirkpatrick, a United States District Judge, to hold the District Court of the United States in connection with said action. The aforementioned motions to dismiss the complaint and for summary judgment were argued before Judge Kirkpatrick on December 6 and 7, 1940 and no decision has as yet been rendered thereon.

On or about May 29, 1940, Mokan, as complainant, instituted an action against Columbia Oil, the Company and Gano Dunn, as respondents, in the Court of Chancery of the State of Delaware, New Castle County, praying, among other things, (a) that an injunction be granted restraining Columbia Oil from selling, assigning or otherwise disposing of its beneficial interest in 100,000 shares of Class A preferred stock of the Company; (b) that Columbia Oil and Gano Dunn be restrained from voting all the shares of stock of the Company owned or held by them on any proposal to amend the Company's certificate of incorporation so as to authorize the issuance and sale of a new preferred stock having a lesser dividend rate and without any further participation in dividend distribution, and from otherwise obstructing the refinancing of said Class A preferred stock now held by Gano Dunn and beneficially owned by Columbia Oil; (c) that Columbia Oil and Gano Dunn be restrained from demanding or receiving any dividends on said Class A preferred stock in excess of $4.50 per share per annum, without further participation; and (d) that the Company be enjoined from paying to Columbia Oil or Gano Dunn any sum by way of dividends on said Class A preferred stock in excess of $4.50 per share per annum. Thereafter the respondents in such action caused said action to be removed to the Federal Court of the United States for the District of Delaware where said action is now pending. Thereafter each of the defendants filed in said Federal Court their respective motions to dismiss the complaint in such action and for summary judgment, and such motions of Columbia Oil and Gano Dunn are now pending. The Company was allowed by said Federal Court leave to withdraw its motion to dismiss such complaint and to file its answer in place of such motion, in view of a stipulation which has been entered into on behalf of Mokan and the Company with respect to certain portions of the relief demanded in the complaint in such action. The Company accordingly withdrew said motion and filed its answer and supplemental answer. In June, 1940, the Company and Columbia Oil entered into an agreement, and the Company and Mokan entered into another agreement, whereby,

in effect, Columbia Oil agreed to repay to the Company such portion of the dividends that may be paid for the year 1940, or any calendar year thereafter, in excess of $4.50 per share per annum on the Company's Class A preferred stock, to the extent held improper by decision of the court having jurisdiction of said action, and Mokan agreed that it would not apply for any restraining order in said action and that pending the final determination of said action the Company may continue to pay dividends at the rate of $6.00 per share per annum on said Class A preferred stock and also participating dividends on said stock. On or about August 27, 1940, A. Faison Dixon, Vice-President of Mokan, filed an affidavit of personal bias or prejudice on the part of Hon. John P. Nields, United States District Judge for the District of Delaware, against Mokan, the plaintiff in said action; and thereafter Hon. Owen J. Roberts, Circuit Justice of the United States Circuit Court of Appeals, entered an order designating and appointing Hon. William H. Kirkpatrick, a United States District Judge, to hold the District Court of the United States in connection with said action. On December 3, 1940, Mokan made a motion to remand this action to the Delaware Chancery Court. This motion was argued before Judge Kirkpatrick on December 7, 1940, and arguments on the aforementioned motions of Columbia Oil and of Gano Dunn to dismiss the complaint and for summary judgment, which had been scheduled for hearing on December 5 and 6, 1940, were deferred pending the Court's decision on the motion to remand. On April 16, 1941, Judge Kirkpatrick granted Mokan's motion to remand the case to the Delaware Chancery Court, and thereupon Columbia Oil filed in that court its answer to the complaint denying the material allegations thereof. Mokan has filed a motion in such action for leave to amend its bill of complaint whereby it seeks a decree enjoining the Company from paying to Columbia Oil or in the event the Company pays prior to final decree then a decree directing Columbia Oil to repay to the Company, a dividend in the sum of $134,561.17 declared on December 19, 1941 as a participating dividend on the Class A Preferred Stock owned beneficially by Columbia Oil. This action has been set for trial on February 25, 1942. Gano Dunn has not been served with a writ of subpoena in said action and has not appeared or filed any answer to the complaint therein.

On or about October 24, 1939, Mokan and Lucille I. Dammann, on their own behalf as stockholders and on behalf of all of the stockholders of the Company similarly situated, instituted a suit in the Chancery Court of Delaware, New Castle County, against the Company, Columbia Oil and Columbia Gas as respondents. The complaint alleged that Columbia Gas and Columbia Oil wholly controlled the Company on January 31, 1936, and caused the Company to execute and deliver the agreement dated January 31, 1936, between said two corporations and the Company. The complaint further alleged, in effect, as follows: That of the 80,000 shares of common stock of the Company offered in 1939 for subscription to the stockholders of Mokan or their assignees pursuant to said agreement, certain of said shares would not be so subscribed for, that the complainants believe that Columbia Oil claims the right and intends to purchase from the Company any shares not so subscribed for, that the Company, remaining under the control of Columbia Oil, claims that it is obligated under said agreement to sell such shares to Columbia Oil, that the subscription price of said shares is $25 per share and the market value of the Company's common stock is $42.50 per share, that the true value of said shares at all times since January 31, 1936, has been far in excess of the price at which the Company was forced to agree and now proposes to sell such shares to Columbia Oil, that but for the fact that Columbia Oil and Columbia Gas exercised dominion and control over the Company on January 31, 1936 said agreement would not have been entered into by the Company, and that said agreement was made in violation of law, in evasion of the above-mentioned consent decree and was made by Columbia Oil for its own enrichment and was and is fraudulent and unfair to the Company, and if carried out as threatened, will cause irreparable injury to the complainants and the other stockholders of the Company except Columbia Oil. The complaint prayed that the Company be enjoined from selling to Columbia Oil any of the shares of the common stock of the Company remaining unsubscribed for as aforesaid, and that Columbia Oil be enjoined from purchasing such shares from the Company. The Company and each of the other two respondents filed separate answers in said suit, the answer of the Company, among other things, denying that it was controlled by Columbia Gas and Columbia Oil and that said two corporations caused said agreement to be executed by the Company, and admitting that 1,285 shares, out of the aforesaid 80,000 shares of the common stock of the Company, were not subscribed for by the stockholders of Mokan or their assignees, and alleging that the Company is obligated to sell said 1,285 shares to Columbia Oil at

$25 per share upon compliance by Columbia Oil with the provisions of the above-mentioned agreement, and denying the allegation in the complaint that such agreement was made in violation of law, in evasion of said consent decree, and was made by Columbia Oil for its own enrichment and was fraudulent and unfair to the Company and if carried out will cause irreparable injury to the stockholders of the Company. Thereafter a stipulation was entered into by the attorneys for all parties in said suit, whereby, in effect, Columbia Oil will not purchase from the Company and the Company will not sell to Columbia Oil any of the 1,285 shares until such time as said stipulation be terminated, and that said stipulation may be terminated by any party in said suit upon five days' notice of such termination to the other parties. No such notice has been given by any of said parties.

The Company is further informed as follows:

After the approval of the District Court for the District of Delaware of the Plan which had been jointly filed by Columbia Gas and Columbia Oil in said Court, Columbia Gas, on February 26, 1941, filed an application (File No. 70-263) with the Securities and Exchange Commission, in which it requested the Commission's approval of (a) its proposed acquisition of all the stock and obligations of the five oil and gasoline subsidiary companies of Columbia Oil, in consideration of the surrender by it to Columbia Oil of 400,000 shares of the participating Preferred stock of Columbia Oil, (b) the execution of a proposed agreement by Columbia Gas to save Columbia Oil harmless from any liability which may arise from a suit pending in the Court of Common Pleas of Franklin County, Ohio, instituted by John L. Davies in 1937 against Columbia Gas and others, (c) the surrender by Columbia Gas of such an amount of debentures of Columbia Oil as Columbia Oil would be able to acquire at par and accrued interest from monies raised by a contemplated disposition by Columbia Oil of its holdings of Class A Preferred stock of the Company and the proposed reduction of the interest rate on the remaining debentures of Columbia Oil from 6 per cent to 3 per cent, and (d) the proposed sale of Columbia Gas' interest in Indiana Gas Distribution Corporation and Michigan Gas Transmission Corporation to the Company, together with the proposed sale by The Ohio Fuel Gas Company of a gas pipe line in Indiana to the Company. After the handing down of the Commission's order of May 27, 1941, denying in part and granting in part the consolidated applications under Section 2(a) (8) of the Public Utility Holding Company Act of 1935, a hearing was held on June 3, 1941 before a Trial Examiner of the Commission on Columbia Gas' application (File No. 70-263), at which Columbia Gas introduced some evidence in support of its application, but the hearing was adjourned so as to permit Columbia Oil and the Company to file applications with respect to the transactions involved, in view of the order of the Commission of May 27, 1941.

On or about June 7, 1941, an agreement was entered into between Columbia Gas, Columbia Oil and Mokan, dated said day, which provided that (a) Columbia Oil and Mokan would distribute their entire respective holdings of the Company's common stock in such a way as would best serve the respective interests of said companies, through the issuance of warrants to its stockholders or by underwriting of the stock by bankers or otherwise; (b) Columbia Oil would consent to the refunding and retirement by the Company of Columbia Oil's holdings of the Class A and Class B Preferred stocks of the Company in such a manner as the Company might determine to be in its best interest, the retirement of the Class A Preferred stock to be at par and accrued dividends and the retirement of Class B Preferred stock to be at $125 per share and accrued dividends; (c) Columbia Gas would sell to the Company the stock and indebtedness of Indiana Gas Distribution Corporation and Michigan Gas Transmission Corporation for an amount equal to the actual investment of Columbia Gas therein; (d) the Company would purchase at the same time from The Ohio Fuel Gas Company, its gas pipe line in Indiana for a price of $355,191; (e) a new board of twelve directors of the Company would be elected, one member to be a nominee of Mokan, another to be a nominee of Columbia Oil, and the remaining members to be entirely independent persons whose election should be mutually satisfactory to both Mokan and Columbia Oil, all directors to be elected annually for one year, and the first Chairman of the Board of Directors to be designated by the Board of Directors of Mokan; (f) the entire Plan would be submitted in toto to the Securities and Exchange Commission for its approval, and Columbia Gas and Columbia Oil would submit it to the Department of Justice, would file with the District Court in Delaware such supplemental and amended motions to the joint motion and Plan which had been approved by said District Court on January 18, 1941 as should be necessary to obtain approval by said Court of the modification of the Consent Decree as provided in said

motion and as further modified to effect the settlement agreed upon in the instant agreement, and would expeditiously file with the Securities and Exchange Commission such applications and declarations as might be necessary under the Holding Company Act to authorize Columbia Gas and Columbia Oil to take the steps required of them in said agreement; (g) Mokan would withdraw all pending litigation against Columbia Gas or Columbia Oil or against any of its officers or directors, or against Gano Dunn, Trustee, and exchange general releases with Columbia Gas and Columbia Oil, including the officers and directors, and pending such withdrawal Mokan would institute no further litigation and would allow the present litigation to remain in statu quo; and (h) it was provided in said agreement that it would terminate and any obligations of the parties cease if all the transactions therein provided for should not be effected by October 1, 1941, but this date should be extended to December 1, 1941 upon the request of any one of the parties. The Company makes no representation whether said agreement is or is not now in effect.

On July 30, 1941, and pursuant to the three-party agreement above referred to, Columbia Gas and Columbia Oil filed in the District Court of Delaware a supplemental joint motion embodying the necessary supplemental provisions to the Plan which had been approved by the Court on January 18, 1941, to incorporate therein the transactions agreed to be carried out in said three-party agreement, and on or about August 1, 1941 Columbia Gas and The Ohio Fuel Gas Company filed with the Securities and Exchange Commission a joint amendment to the application (File No. 70-263) and Columbia Oil filed an application (File No. 70-371), in which said companies requested the Commission to approve the various transactions respectively contemplated to be carried out by them in the Plan which had been approved by the District Court on January 18, 1941, as supplemented by the supplemental provisions thereto aforesaid. On August 20, 1941, the Company filed an application and declaration with the Commission (File No. 70-387) requesting the Commission to approve (a) the proposed sale by Columbia Gas to the Company of the stock and indebtedness of Michigan Gas Transmission Corporation and of Indiana Gas Distribution Corporation, for a price equal to the actual investment of Columbia Gas therein, subject to the privilege to the Company of supplying a person or corporation who would purchase the stock and debt of Indiana Gas Distribution Corporation from Columbia Gas for an amount equal to the investment of the latter corporation therein; (b) the proposed sale by The Ohio Fuel Gas Company to the Company of certain gas pipe lines in Indiana and Ohio belonging to the former corporation for a price equal to the present fair value thereof; (c) the retirement or redemption of all of the Company's $10,000,000 par value of its Class A Preferred stock at par and accrued and unpaid dividends and all of its $1,000,000 par value of its Class B Preferred stock at $125 per share and accrued and unpaid dividends; and (d) the issuance and sale by the Company of certain new securities, the proceeds of which would be used to pay the cost of acquiring the stock, indebtedness and pipe lines above mentioned, and to retire or redeem its Class A or Class B Preferred stocks, and for other corporate purposes.

On August 25, 1941, the Securities and Exchange Commission entered a notice of and order instituting proceedings against Columbia Gas, Columbia Oil, the Company, Michigan Gas Transmission Corporation and Indiana Gas Distribution Corporation under Section 11(b)(1), 11(b)(2), 12(c), 12(f) and 15(f) of the Public Utility Holding Company Act of 1935. In said order the Commission incorporated fifty-three paragraphs of allegations which it directed the respondents to answer on or before September 8, 1941, consolidated the proceedings "In the Matter of Columbia Oil & Gasoline Corporation" bearing File No. 70-263, for hearing with the proceedings instituted by said order, and fixed September 16, 1941 as the date of said consolidated hearings. In said order the respondents were directed to show cause, among other things, why the Commission should not enter an appropriate order or orders pursuant to Sections 11(b)(1), 11(b)(2), 12(c), 12(f) and 15(f) of the Act. On or about September 8, 1941 the respondents Columbia Gas and Columbia Oil filed their answers with the Commission, denying the material allegations contained in its notice and order and the Company filed its answer. Said hearings were subsequently adjourned to October 14, 1941, on which day an argument was had before the Commission on an application of the Commission's counsel that evidence bearing upon the issues raised under Section 11(b)(1) of the Act should first be introduced, and that thereafter evidence relating to the remaining issues should be introduced. On the 15th day of October, 1941, the Commission handed down its order granting the intervention applications of Mokan, William H. Danforth, a common stockholder of Columbia Oil, and Abner Goldman, a common stockholder of Columbia Gas, to the limited extent of permitting them to participate in the proceeding to the extent

of adducing evidence, cross-examining witnesses, filing briefs and presenting oral argument, without conferring upon them the status of parties to the proceeding, and directing that upon the resumption of hearings in the proceedings evidence bearing upon the issues raised under Section 11(b)(1) of the Act should first be introduced and that thereafter evidence relating to the remaining issues of the proceedings should be introduced in accordance with the further direction of the Commission, and further directing that the hearings be adjourned to October 28, 1941. The hearings before the Trial Examiner were resumed on October 28, 1941 and continued through October 30, at which time, after conferences between the staff of the Commission and counsel for Columbia Gas, Columbia Oil and the Company, the staff recommended to the Examiner that the hearings be adjourned until November 18, 1941, with the understanding that Columbia Gas, The Ohio Fuel Gas Company, Columbia Oil and the Company should file with the Commission, on or before November 10, 1941, new applications or declarations requesting the Commission's approval of (a) a proposed sale by Columbia Gas to the Company of the stock and indebtedness of Indiana Gas Distribution Corporation and Michigan Gas Transmission Corporation for a price equal to the actual investment of Columbia Gas therein; (b) the proposed sale by The Ohio Fuel Gas Company to the Company of certain gas pipe lines located in the States of Ohio and Indiana; (c) the proposed surrender by Columbia Oil to the Company, for retirement or redemption, of $10,000,000 par value Class A Preferred stock of the Company at par and accrued and unpaid dividends; (d) the proposed acquisition by Columbia Oil from Columbia Gas of as many debentures of Columbia Oil at par and accrued interest as could be acquired with the proceeds realized by Columbia Oil from the surrender by Columbia Oil to the Company of the Class A Preferred stock of the Company; and (e) the proposed issue and sale of certain new securities by the Company, the proceeds of which would be used to pay the cost of acquiring the stock and indebtedness and pipe lines above mentioned and to retire and to redeem its Class A Preferred stock. Counsel for Mokan and also the City of Detroit, an intervenor, by its Corporation Counsel, objected to this recommended procedure on the grounds that it would delay the Commission's proceedings under Section 11(b)(1) of the Act. After some discussion, the Corporation Counsel for the City of Detroit withdrew his objections. Pursuant to this recommended procedure, Columbia Gas and Columbia Oil filed, on November 7, 1941, their applications requesting the Commission's approval of the actions such companies respectively proposed to take in carrying out the transactions last above mentioned. On November 7, 1941 argument was made before the Commission on Mokan's objections to the procedure recommended by the Commission's counsel, as aforesaid. The Corporation Counsel of the City of Detroit reasserted his objections at that time. Such objections were subsequently overruled by the Commission. Thereafter hearings were held before the Trial Examiner of the Commission with respect, among other things, to the matters mentioned in clauses (a), (b), (c) and (e) above and subsequently, by order of the Commission, such applications and declarations regarding such matters were approved or permitted to become effective. On January 15, 1942, the Commission issued an order directing procedure and reconvening hearing in said proceedings on January 29, 1942, for the purpose of receiving evidence with respect to the issues involving the retainability by Columbia Gas and Columbia Oil of their interest, direct or indirect, in the Company under Section 11(b)(1); and with respect to the issues involving the distribution of voting rights in the Company with reference to the Class B Preferred Stock under Section 11(b)(2).

PROPERTY

7. State briefly the general character and location of the principal plants and other important units of the registrant and its subsidiaries. If any principal plant or important unit is not held in fee, so state and describe how held.

Production Property and Gas Reserves

The Company, as of September 30, 1941, owned or controlled oil and gas lease holds on approximately 271,000 acres in the Amarillo and Hugoton gas fields located in the Panhandle of Texas, Southwestern Kansas and Texas County, Oklahoma, and in addition controlled through gas purchase contracts the gas production from approximately 67,000 acres in this territory. The Company is currently producing gas from certain of these leaseholds by means of 57 gas wells in the Amarillo gas field and 80 gas wells (including 46 gas wells in which the Company has only a 50% interest) in the Hugoton gas field.

EXHIBIT 145.

5083

AUDITORS' CERTIFICATE

We have examined the balance sheet of Panhandle Eastern Pipe Line Company (a Delaware corporation, hereinafter referred to as the Company) as of September 30, 1941, the consolidated balance sheet of the Company and its subsidiary as at that date and the statements of income and surplus of the Company and its subsidiaries for the three years and nine months ended that date, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheets and related statements of income and surplus, together with schedules as listed in the attached index, present fairly the position of the companies at September 30, 1941 and the results of their operations for the three years and nine months ended that date, in conformity with generally accepted accounting principles consistently applied during the period under review.

Kansas City, Missouri,
December 19, 1941.

ARTHUR ANDERSEN & CO.

Arthur Andersen & Co.

PANHANDLE EASTERN PIPE LINE COMPANY

(A Delaware Corporation)

BALANCE SHEET—SEPTEMBER 30, 1941

ASSETS

Property, Plant and Equipment (Note A) (Schedule V)			$62,601,537.07
Intangibles (Note A) (Schedule VII):			
Gas sales and purchase contracts	$2,930,286.40		
Less—Reserve for amortization (Schedule VIII)	1,684,914.45	$1,245,371.95	
Gas sales contracts—Other, in process of amortization		357,495.62	
Organization expense		115,172.86	
Miscellaneous		64,427.72	1,782,468.15
Investment in Subsidiary Company, Subsidiary Consolidated:			
Investment in capital stock (Note A) (Schedule III)			2,635,391.43
Current Assets:			
Cash in banks and working funds		$4,573,039.74	
United States Treasury Notes, Tax Series B—1943		2,750,000.00	
Accounts receivable—			
Accounts receivable, customers	$1,200,716.45		
Due from subsidiary company, subsidiary consolidated	126,329.11		
Miscellaneous accounts receivable	57,230.65		
	$1,384,276.21		
Less—Reserve for uncollectible accounts (Schedule XII)	35,819.88	1,348,456.33	
Materials and supplies at average cost		320,104.40	8,991,600.47
Non-Current Notes and Accounts Receivable:			
Mortgage notes receivable		$ 48,819.24	
Accounts receivable		160,670.43	209,489.67
Special Deposits (including $104,985.66 for payment of long-term debt called for redemption)			111,463.66
Deferred Charges and Prepaid Expenses:			
Debt discount and expense in process of amortization (Note B)		$2,081,485.06	
Prepaid expenses		125,187.77	
Other deferred items		84,621.02	2,291,293.85
			$78,623,244.30

LIABILITIES

Capital Stock (Schedule XIII):		
Preferred stock, $6.00 cumulative, par value $100—entitled in liquidation to $110, aggregating $12,100,000 for the shares issued (Note C)—		
Class A, participating and redeemable—(Note C)—Authorized and issued, 100,000 shares	$10,000,000.00	
Class B, non-participating and non-redeemable—Authorized and issued, 10,000 shares	1,000,000.00	
Common stock, without par value—Authorized 810,000 shares		
Outstanding 807,367 shares (Note D)	20,184,175.00	$31,184,175.00
Long-Term Debt (Schedule IX):		
Funded debt:		
First Mortgage and First Lien Bonds, Series A, due serially November 1, 1946 to November 1, 1950	$ 6,250,000.00	
First Mortgage and First Lien 3% Bonds, Series B, due November 1, 1960	12,000,000.00	
Serial Notes ($1,250,000 due November 1 of each of the years 1942 to 1945 inclusive)	5,000,000.00	
Other long-term debt:		
Leasehold purchase obligation (payable monthly from gas produced, unpaid balance payable August 31, 1946)	14,255.87	23,264,255.87
Current Liabilities:		
Accounts payable (Including pay rolls of $24,755.96)	$ 449,964.42	
Dividends declared and unpaid	1,174,208.75	
Accrued interest	225,260.45	
Accrued taxes—		
State, local and miscellaneous Federal	588,210.59	
Federal income and excess profits	2,578,369.38	
Long-term debt called for redemption	104,985.66	5,120,999.25
Deferred Liabilities		43,319.74
Reserves:		
Depreciation, depletion, and amortization of property, plant and equipment (Schedule VI)	$10,042,792.79	
Contingencies (Schedule XII)	624,800.94	
Injuries and damages (Schedule XII)	87,123.74	10,754,717.47
Contributions in Aid of Construction		35,801.06
Earned Surplus Since December 31, 1935 (Notes B and C) (See Page S-10)		8,219,975.91
Contingent Liabilities (Note E)		
		$78,623,244.30

Reference is made to the appended notes which are an integral part of the above balance sheet.

PANHANDLE EASTERN PIPE LINE COMPANY
(A Delaware Corporation)

AND SUBSIDIARY COMPANY

CONSOLIDATED BALANCE SHEET—SEPTEMBER 30, 1941

ASSETS

Property, Plant and Equipment (Note A) (Schedule V)			$65,502,541.15
Intangibles (Note A) (Schedule VII):			
Gas sales and purchase contracts	$2,930,286.40		
Less—Reserve for amortization (Schedule VIII)	1,684,914.45	$1,245,371.95	
Gas sales contracts—Other, in process of amortization		357,495.62	
Organization expense		115,172.86	
Miscellaneous		64,427.72	1,782,468.15
Current Assets:			
Cash in banks and working funds		$5,040,487.20	
United States Treasury Notes, Tax Series B—1943		2,750,000.00	
Accounts receivable—			
Accounts receivable, customers	$1,340,874.63		
Miscellaneous accounts receivable	61,100.52		
	$1,401,975.15		
Less—Reserve for uncollectible accounts (Schedule XII)	47,519.88	1,354,455.27	
Materials and supplies at average cost		321,277.03	9,466,219.50
Non-Current Notes and Accounts Receivable:			
Mortgage notes receivable		$48,819.24	
Accounts receivable		160,670.43	209,489.67
Special Deposits (including $104,985.66 for payment of long-term debt called for redemption)			111,463.66
Deferred Charges and Prepaid Expenses:			
Debt discount and expense in process of amortization (Note B)		$2,081,485.06	
Prepaid expenses		125,187.77	
Other deferred items		87,274.79	2,293,947.62
			$79,366,129.75

LIABILITIES

Capital Stock (Schedule XIII):		
Preferred stock, $6.00 cumulative, par value $100—entitled in liquidation to $110, aggregating $12,100,000 for the shares issued (Note C)—		
Class A, participating and redeemable—(Note C)— Authorized and issued, 100,000 shares	$10,000,000.00	
Class B, non-participating and non-redeemable— Authorized and issued, 10,000 shares	1,000,000.00	
Common stock, without par value— Authorized 810,000 shares		
Outstanding 807,367 shares (Note D)	20,184,175.00	$31,184,175.00
Long-Term Debt (Schedule IX):		
Funded debt:		
First Mortgage and First Lien Bonds, Series A, due serially November 1, 1946 to November 1, 1950	$6,250,000.00	
First Mortgage and First Lien 3% Bonds, Series B, due November 1, 1960	12,000,000.00	
Serial Notes ($1,250,000 due November 1 of each of the years 1942 to 1945 inclusive)	5,000,000.00	
Other long-term debt:		
Leasehold purchase obligation (payable monthly from gas produced, unpaid balance payable August 31, 1946)	14,255.87	23,264,255.87
Current Liabilities:		
Accounts payable (Including pay rolls of $25,495.32)	$453,181.08	
Dividends declared and unpaid	1,174,208.75	
Accrued interest	225,260.45	
Accrued taxes—		
State, local and miscellaneous Federal	607,845.87	
Federal income and excess profits	2,613,979.33	
Long-term debt called for redemption	104,985.66	5,179,461.14
Deferred Liabilities		43,319.74
Reserves:		
Depreciation, depletion, and amortization of property, plant and equipment (Schedule VI)	$10,526,505.02	
Contingencies (Schedule XII)	624,800.94	
Injuries and damages (Schedule XII)	97,023.74	11,248,329.70
Contributions in Aid of Construction		42,062.57
Earned Surplus Since December 31, 1935 (Notes B and C) (See Page S-11)		8,404,525.73
Contingent Liabilities (Note E)		
		$79,366,129.75

Reference is made to the appended notes which are an integral part of the above balance sheet.

EXHIBIT 145.

EXHIBIT 145.

BALANCE SHEET NOTES
COMPANY AND CONSOLIDATED

5089

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANY

NOTES TO THE BALANCE SHEETS

ATTACHED TO AND MADE AN INTEGRAL PART OF THE BALANCE SHEET (COMPANY ONLY) AND OF THE CONSOLIDATED BALANCE SHEET

As of September 30, 1941

A. (1) Property, plant and equipment and intangibles are stated at cost except for $4,816,350.71 thereof which was recorded at the amount assigned by the Board of Directors to assets acquired as of August 31, 1930 as a capital contribution. It is the belief of the present management of the Company that the amount assigned to the capital contribution represented the value of the assets contributed as determined by the donor, Missouri-Kansas Pipe Line Company. Of the total, $2,417,948.52, representing the amount at which the contributed tangible property was recorded on the books of Missouri-Kansas Pipe Line Company, was assigned to property, plant and equipment, and the balance of $2,398,402.19 was assigned to gas sales and purchase contracts.

(2) Investment in subsidiary company is stated at cost. The securities representing such investment are pledged as collateral to the First Mortgage and First Lien Bonds. In January, 1941, the Company received 807,367 shares of common stock, of a par value of 42 cents each, of Central Distributing Company in exchange for its former investment in that company (represented by no par common stock of $59,000.43, a note receivable of $250,000.00 and a demand loan of $25,000.00) and $5,093.71 additional cash investment. These shares were then distributed as a dividend to the Company's common stockholders, on a share for share basis, with a concurrent charge to earned surplus of $339,094.14.

(3) The amounts at which property, plant and equipment, intangibles and investment in subsidiary company are stated do not purport to represent the current realizable value thereof.

B. Debt discount and expense in process of amortization at September 30, 1941 consists of:

Discount and expense applicable to 6% bond issue redeemed in 1937 prior to original maturity of October 1, 1950 in process of amortizaton over the original life of such issue	$ 829,457.41
Items being amortized on the basis of bonds outstanding over the life of the 4% bond issue redeemed in 1941 prior to original maturity of March 1, 1952—	
Call premium on 6% issue	471,822.61
Debt discount and expense on 4% issue	374,436.79
Items being amortized on the basis of bonds outstanding over the lives of present outstanding issues—	
Call premium on 4% issue	190,061.40
Debt discount and expense on present outstanding issues	215,706.85
	$2,081,485.06

On December 19, 1941, the Board of Directors authorized the charging to earned surplus, as of the date of refunding, February 3, 1941, of the unamortized balance of debt discount, expense and call premiums applicable to refunded issues and the discount and expenses applicable to outstanding issues.

C. Surplus is restricted by the Mortgage and Deed of Trust dated November 1, 1940 as to payment of dividends, in the amount of $4,113,952.58. In the opinion of counsel for the Company, the requirements of Delaware law impose no restrictions on surplus by reason of the excess ($1,100,000 at September 30, 1941) of the liquidating value over the par value of its preferred stock. Class A preferred stock may be redeemed at any time in whole or in part at $100 per share if redeemed on or before January 1, 1942 or $110 per share thereafter.

D. At September 30, 1941 there were 1,285 unissued shares available for exercise of purchase option at $25.00 a share.

E. Contingent liabilities:

Effective January 1, 1940, the Company adopted a retirement annuity plan for employees (including officers) who had not attained age sixty-five on that date, by means of a group annuity

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANY

NOTES TO THE BALANCE SHEETS—(Continued)

ATTACHED TO AND MADE AN INTEGRAL PART OF THE BALANCE SHEET (COMPANY ONLY) AND OF THE CONSOLIDATED BALANCE SHEET

As of September 30, 1941

contract with a life insurance company, which provides, among other things, for (a) premium payments in respect of current annuities and (b) the purchase by payments over a period of years of additional annuities based on age and length of prior employment, both at the expense of the Company. Amounts charged to the income accounts for the year 1940 aggregated $168,700 of which $100,000 applied to past service annuities and for the nine months ended September 30, 1941 aggregated $134,700 of which $75,000 applied to past service annuities. The total cost of the additional annuities based on length of prior employment may vary according to the dates of payments but it is estimated by the Company at approximately $630,000 (based on a payment period of approximately twenty years). The plan by its terms is subject to change or discontinuance by the Company at any time.

The Company has made commitments in connection with expansion of facilities of approximately $4,000,000 at September 30, 1941. The Company represents that there were no other contingent liabilities not reflected in the balance sheet at September 30, 1941, except those set forth in contracts for the purchase and sale of gas.

F. In the consolidated balance sheet the accounts of the subsidiary of the Company have been consolidated with the accounts of the Company. The Company's equity in the net assets of such subsidiary, as shown by the books of the latter, exceeds the aggregate investment, as shown in the Company's books, by $184,549.82, representing undistributed earnings of subsidiary since date of acquisition which has been credited to earned surplus in consolidation.

EXHIBIT 145.
EXHIBIT 145.

INCOME ACCOUNT
CONSOLIDATED

5093

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED INCOME

For the Years Ended December 31, 1938, 1939 and 1940 and the Nine Months Ended September 30, 1941

	Year Ended December 31, 1938	1939	1940	Nine Months Ended September 30, 1941 (Note G)
Operating Revenues:				
Gas sales	$9,540,967.85	$11,461,388.31	$13,167,241.73	$10,518,678.44
Gasoline sales	353,128.71	513,940.99	355,722.01	432,677.73
Miscellaneous	13,032.46	21,439.93	12,489.05	7,424.68
Total operating revenues	$9,907,129.02	$11,996,769.23	$13,535,452.79	$10,958,780.85
Operating Expenses and Taxes:				
Operation—				
Gas purchased	$ 901,927.86	$ 997,872.93	$ 1,090,106.83	$ 848,148.38
Rents and royalties (Schedule XVI)—				
Rentals on unoperated gas leases	94,726.03	96,118.77	101,344.57	78,599.15
Gas royalties	92,404.27	118,813.36	143,341.99	122,449.57
Miscellaneous rents	28,409.52	29,076.25	35,665.19	30,586.17
General and administrative expenses	399,832.93	431,112.47	672,377.71	513,216.93
Provision for uncollectible accounts	6,400.00	8,400.00	10,800.00	8,100.00
Other operation expenses	645,594.35	718,033.17	727,113.61	580,355.71
General overheads charged to construction—credit	—	—	57,380.03*	—
Total operation	$2,169,294.96	$ 2,399,426.95	$ 2,723,369.87	$ 2,181,455.91
Maintenance (Note C) (Schedule XVI)	217,207.07	299,483.39	277,394.65	252,460.29
Depreciation, depletion and amortization of property, plant and equipment (Note A) (Schedule XVI)	1,728,607.16	1,870,699.86	1,880,889.87	1,483,972.46
Amortization of gas sales and purchase contracts (Note B) (Schedule XVI)	326,892.84	329,300.14	329,110.13	249,234.07
Charges in lieu of—				
Federal income taxes (Note D)	—	—	—	100,000.00
Federal excess profits taxes (Note D)	—	—	—	487,000.00
Taxes—				
State, local and miscellaneous Federal (Schedule XVI)	562,839.32	624,338.14	566,445.71	507,777.17
Provision for income and excess profits taxes—				
Federal income	513,426.21	820,286.12	1,436,598.47	1,202,000.00
Federal excess profits	—	—	561,000.00	648,000.00
Other income taxes—State	15,048.84	51,139.69	46,425.77	36,000.00
Total operating expenses and taxes	$5,533,316.40	$ 6,394,674.29	$ 7,821,234.47	$ 7,147,899.90
Net earnings from operations	$4,373,812.62	$ 5,602,094.94	$ 5,714,218.32	$ 3,810,880.95
Other Income:				
Other interest	13,172.56	13,884.90	13,427.53	12,124.28
Net earnings before interest deductions	$4,386,985.18	$ 5,615,979.84	$ 5,727,645.85	$ 3,823,005.23
Interest Deductions:				
Interest on funded debt	$ 944,233.34	$ 923,333.32	$ 903,333.32	$ 437,080.31
Other interest deductions	65,129.11	14,394.31	2,787.11	5,350.33
Amortization of debt discount and expense (Note E)	319,676.50	314,852.87	310,029.24	223,298.61
Interest charged to construction—credit	1,277.51*	—	36,827.80*	1,275.92*
Total interest deductions	$1,327,761.44	$ 1,252,580.50	$ 1,179,321.87	$ 664,453.33
Net income	$3,059,223.74	$ 4,363,399.34	$ 4,548,323.98	$ 3,158,551.90

*Denotes red figure.

Reference is made to the appended notes which are an integral part of the above income account.

EXHIBIT 145.

EXHIBIT 145.

INCOME ACCOUNT NOTES CONSOLIDATED

5095

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES

NOTES TO THE INCOME ACCOUNT

ATTACHED TO AND MADE A PART OF THE CONSOLIDATED INCOME ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 1938, 1939, AND 1940 AND THE NINE MONTHS ENDED SEPTEMBER 30, 1941

A. The formulae consistently used by the Company and its subsidiaries beginning with the year 1937 to develop an amount to be recommended to the Board of Directors as a proper provision for depreciation, depletion, and amortization gives consideration to the "wasting asset" theory and provides depletion on operated leaseholds on th basis of units of gas withdrawn, amortization of investment in unoperated land rights by the use of a composite life of ten years for such land rights, amortization of gas sales and purchase contracts at a specific monthly rate as provided in the Company's Certificate of Incorporation and in amounts to conform to the contract period in certain instances, and an amount for the other transmission system properties determined by its Board of Directors which recognizes amortization in addition to a composite rate based on the age and estimated life of the properties. The propriety of the aggregate annual provision, as well as the reasonableness of the total reserves provided to date, has been substantiated by P. McDonald Biddison, an independent Consulting Engineer of Dallas, Texas. The Company's Certificate of Incorporation, as amended, provides substantially that no dividends on the common stock or any participating dividends on the preferred and common stocks may be paid except out of net surplus earned subsequent to December 31, 1935 remaining after there shall have been deducted therefrom as provisions for depreciation, depletion and amortization of property, plant and equipment, an aggregate accrual equal to one-third of 1% per month (on monthly balances) of the consolidated tangible property of the Company and its subsidiaries; the provisions for depreciation, depletion and amortization of tangible property as computed in accordance with the Company's Certificate of Incorporation would have amounted to $2,337,597.71, $2,354,588.33, $2,378,393.37, and $1,993,360.66 for the years 1938, 1939, 1940, and the nine months ended September 30 1941, respectively. The amounts claimed by the Company and its subsidiaries for depreciation for Federal income tax purposes are larger than the provisions as set forth in the income account.

B. The Company has provided amortization of gas sales and purchase contracts in the amount of $24,419.05 per month, which will extinguish the net ledger balance at December 31, 1935 ($2,930,286.40) over a period of ten years. Of the original amount of gas sales contracts—other, $371,076.00 is being amortized over a period of fifteen years from January 1, 1937 and the remainder is being amortized primarily over the lives of the respective contracts. No provision has been made for the amortization of organization expense and miscellaneous intangibles.

C. It is the practice of the Company to charge to maintenance the repairs of property and replacements and renewals of items determined to be less than units of property. Replacements and renewals of items considered to be units of property are charged to the property, plant and equipment accounts. At the time properties are disposed of, the cost (or estimated cost), less net salvage value, of property retired is charged to the reserve for depreciation, depletion and amortization of property, plant and equipment.

D. Charges in lieu of Federal income and excess profits taxes represent an amount equivalent to such taxes which would have been payable on current earnings if the Company had not had the benefit for tax purposes of deductions for discount, premium and expense resulting from the refinancing of long-term debt. Such amounts have been credited to unamortized debt discount and expense as a partial offset to the items included therein applicable to the bonds which were refunded.

	1938	1939	1940	Nine Months Ended September 30, 1941
E. Consists of—				
On issue due October 1, 1950, redeemed in 1937—				
Amortization of debt discount and expense	$ 92,161.80	$ 92,161.80	$ 92,161.80	$ 69,121.35
Amortization of call premium	91,251.89	89,317.23	87,382.56	61,913.94
On issue due March 1, 1952, redeemed in 1941—				
Amortization of debt discount and expense	136,262.81	133,373.84	130,484.88	52,570.64
Amortization of call premium	—	—	—	12,978.60
On present outstanding issues—				
Amortization of debt discount and expense	—	—	—	26,714.08
	$319,676.50	$314,852.87	$310,029.24	$223,298.51

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES 5097

NOTES TO THE INCOME ACCOUNT—(Continued)

ATTACHED TO AND MADE A PART OF THE CONSOLIDATED INCOME ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 1938, 1939, AND 1940 AND THE NINE MONTHS ENDED SEPTEMBER 30, 1941

Reference is made to Note B to the Balance Sheets for details respecting change in amortization of debt discount and expense authorized by the Board of Directors on December 19, 1941 which will result in the restoration to income account of amortization recorded for the period subsequent to February 3, 1941, date of refunding, in the amount of $195,811.91.

F. No profits or losses on sales or other charges to parents or subsidiaries of the Company are included in the consolidated income accounts. Inter-company revenues have been eliminated in consolidation.

G. Due to the seasonal character of the Company's business, its earnings for the nine months ended September 30, 1941 may not necessarily be a correct criterion of its earnings on a twelve months' basis.

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE VI—RESERVES FOR DEPRECIATION, DEPLETION, AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

Column A	Column B	Column C		Column D		Column E
		Additions		Deductions from Reserves		
Description	Balance at Beginning of Period	(1) Charged to Profit and Loss or Income (see Note A)	(2) Charged to Other Accounts	(1) Retirements, Renewals and Replacements (see Note F)	(2) Other	Balance at Close of Period
Company:						
Year ended December 31, 1938	$3,281,448.11	$1,556,994.03	$ 22,313.39(B) 612,057.63(C)	$113,598.20	$ —	$ 5,359,214.96
Year ended December 31, 1939	5,359,214.96	1,787,259.86	22,627.43(B) 46,364.54(D)	72,365.39	—	7,143,101.40
Year ended December 31, 1940	7,143,101.40	1,796,889.87	25,012.33(B)	312,142.97	—	8,652,860.63
Nine months ended September 30, 1941	8,652,860.63	1,429,002.46	19,431.31(B)	58,501.61	—	10,042,792.79
Consolidated:						
Year ended December 31, 1938	$4,104,955.89	$1,728,607.16	$ 22,313.39(B)	$119,448.95	$ —	$ 5,736,427.49
Year ended December 31, 1939	5,736,427.49	1,870,699.86	22,627.43(B) 46,364.54(D)	77,840.90	—	7,598,278.42
Year ended December 31, 1940	7,598,278.42	1,880,839.87	25,012.33(B)	314,679.38	—	9,189,501.24
Nine months ended September 30, 1941	9,189,501.24	1,483,972.46	19,431.31(B)	58,504.04	107,895.95(E)	10,526,505.02

NOTES:

A. Reference is made to Note A to Statement of Consolidated Income for the basis of provision for depreciation, depletion and amortization.

B. Provisions for depreciation of automobiles charged to automobile clearing accounts, and depreciation of drilling rigs during process of drilling wells charged to others.

C. Amount of reserve taken over in liquidation of Panhandle Illinois Pipe Line Company, a subsidiary.

D. Balance of capital surplus transferred to reserve for depreciation, depletion and amortization as authorized by the Board of Directors.

E. Eliminated as a result of disposal of investment in Central Distributing Company, a wholly-owned subsidiary.

F. The differences between retirement as shown in Schedule V and in the above schedule represent salvage, less removal costs, netted against retirements above.

EXHIBIT 145. 5101

SCHEDULE VII
COMPANY

PANHANDLE EASTERN PIPE LINE COMPANY

SCHEDULE VII—INTANGIBLE ASSETS

Column A	Column B	Column C	Column D		Column E	Column F
			Deductions			
Description	Balance at Beginning of Period	Additions at Cost	(1) Charged to Profit and Loss or Income	(2) Charged to Other Accounts	Other Changes Debit and/or Credit	Balance at Close of Period
Year Ended December 31, 1938:						
Gas sales and purchase contracts	$2,930,286.40	$ —	$ —	$ —	$ —	$2,930,286.40
Gas sales contracts—other	358,658.20	76,649.11(B)	—	33,864.24(C)	—	401,443.07
Organization expense	89,979.09	—	—	—	25,193.77(D)	115,172.86
Miscellaneous	49,813.41	—	—	—	14,614.31(D)	64,427.72
Total (Note A)	$3,428,737.10	$ 76,649.11	$ —	$ 33,864.24	$ 39,808.08	$3,511,330.05
Year Ended December 31, 1939:						
Gas sales and purchase contracts	$2,930,286.40	$ —	$ —	$ —	$ —	$2,930,286.40
Gas sales contracts—other	401,443.07	21,025.47(B)	—	36,271.54(C)	—	386,197.00
Organization expense	115,172.86	—	—	—	—	115,172.86
Miscellaneous	64,427.72	—	—	—	—	64,427.72
Total (Note A)	$3,511,330.05	$ 21,025.47	$ —	$ 36,271.54	$ —	$3,496,083.98
Year Ended December 31, 1940:						
Gas sales and purchase contracts	$2,930,286.40	$ —	$ —	$ —	$ —	$2,930,286.40
Gas sales contracts—other	386,197.00	24,427.59(B)	—	36,081.53(C)	2,536.68*(E)	372,006.38
Organization expense	115,172.86	—	—	—	—	115,172.86
Miscellaneous	64,427.72	—	—	—	—	64,427.72
Total (Note A)	$3,496,083.98	$ 24,427.59	$ —	$ 36,081.53	$ 2,536.68	$3,481,893.36
Nine Months Ended September 30, 1941:						
Gas sales and purchase contracts	$2,930,286.40	$ —	$ —	$ —	$ —	$2,930,286.40
Gas sales contracts—other	372,006.38	14,951.86(B)	—	29,462.62(C)	—	357,495.62
Organization expense	115,172.86	—	—	—	—	115,172.86
Miscellaneous	64,427.72	—	—	—	—	64,427.72
Total (Note A)	$3,481,893.36	$ 14,951.86	$ —	$ 29,462.62	$ —	$3,467,382.60

*Denotes red figure.

NOTES:

A. See Note A to the balance sheets for statement of the basis on which intangibles are stated.

B. Expenditures in connection with securing gas sales contracts consisting of cost in connection with changing over to natural gas, services of special agents, contributions for line extensions to serve industrial customers, etc.

C. Reserve for amortization of gas sales contracts—other, applied in reduction of the asset account.

D. Amounts of intangibles taken over in liquidation of Panhandle Illinois Pipe Line Company, a subsidiary.

E. Refund of expenditures in connection with securing gas sales contracts.

EXHIBIT 145.

SCHEDULE VII
CONSOLIDATED

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE VII—INTANGIBLE ASSETS

Column A	Column B	Column C	Column D		Column E	Column F
			Deductions			
			(1)	(2)		
Description	Balance at Beginning of Period	Additions at Cost	Charged to Profit and Loss or Income	Charged to Other Accounts	Other Changes Debit and/or Credit	Balance at Close of Period
Year Ended December 31, 1938:						
Gas sales and purchase contracts	$2,930,286.40	$ —	$ —	$ —	$ —	$2,930,286.40
Gas sales contracts—other	358,658.20	76,649.11(B)	—	33,864.24(C)	—	401,443.07
Organization expense	116,291.98	—	—	—	—	116,291.98
Miscellaneous	97,991.71	—	—	—	—	97,991.71
Total (Note A)	$3,503,228.29	$ 76,649.11	$ —	$ 33,864.24	$ —	$3,546,013.16
Year Ended December 31, 1939:						
Gas sales and purchase contracts	$2,930,286.40	$ —	$ —	$ —	$ —	$2,930,286.40
Gas sales contracts—other	401,443.07	21,025.47(B)	—	36,271.54(C)	—	386,197.00
Organization expense	116,291.98	—	—	—	—	116,291.98
Miscellaneous	97,991.71	—	—	—	—	97,991.71
Total (Note A)	$3,546,013.16	$ 21,025.47	$ —	$ 36,271.54	$ —	$3,530,767.09
Year Ended December 31, 1940:						
Gas sales and purchase contracts	$2,930,286.40	$ —	$ —	$ —	$ —	$2,930,286.40
Gas sales contracts—other	386,197.00	24,427.59(B)	—	36,081.53(C)	2,536.68*(D)	372,006.38
Organization expense	116,291.98	—	—	—	—	116,291.98
Miscellaneous	97,991.71	—	—	—	—	97,991.71
Total (Note A)	$3,530,767.09	$ 24,427.59	$ —	$ 36,081.53	$ 2,536.68*	$3,516,576.47
Nine Months Ended September 30, 1941:						
Gas sales and purchase contracts	$2,930,286.40	$ —	$ —	$ —	$ —	$2,930,286.40
Gas sales contracts—other	372,006.38	14,951.86(B)	—	29,462.62(C)	—	357,495.62
Organization expense	116,291.98	—	—	—	1,119.12*(E)	115,172.86
Miscellaneous	97,991.71	—	—	—	33,563.99*(E)	64,427.72
Total (Note A)	$3,516,576.47	$ 14,951.86	$ —	$ 29,462.62	$ 34,683.11*	$3,467,382.60

*Denotes red figure.

NOTES:

A. See Note A to the balance sheets for statement of the basis on which intangibles are stated.

B. Expenditures in connection with securing gas sales contracts consisting of cost in connection with changing over to natural gas, services of special agents, contributions for line extensions to serve industrial customers, etc.

C. Reserve for amortization of gas sales contracts—other, applied in reduction of the asset account.

D. Refund of expenditures in connection with securing gas sales contracts.

E. Eliminated as a result of disposal of investment in Central Distributing Company, a wholly-owned subsidiary.

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE VIII—RESERVES FOR DEPRECIATION AND AMORTIZATION OF INTANGIBLE ASSETS

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	(1) Charged to Profit and Loss or Income (See Note A)	(2) Charged to Other Accounts	Deductions From Reserves	Balance at Close of Period
Company and Consolidated:					
Year Ended December 31, 1938:					
Gas sales and purchase contracts	$ 586,057.20	$293,028.60	$ —	$ —	$ 879,085.80
Gas sales contracts—other	—	33,864.24	—	33,864.24(B)	—
	$ 586,057.20	$326,892.84	$ —	$33,864.24	$ 879,085.80
Year Ended December 31, 1939:					
Gas sales and purchase contracts	$ 879,085.80	$293,028.60	$ —	$ —	$1,172,114.40
Gas sales contracts—other	—	36,271.54	—	36,271.54(B)	—
	$ 879,085.80	$329,300.14	$ —	$36,271.54	$1,172,114.40
Year Ended December 31, 1940:					
Gas sales and purchase contracts	$1,172,114.40	$293,028.60	$ —	$ —	$1,465,143.00
Gas sales contracts—other	—	36,081.53	—	36,081.53(B)	—
	$1,172,114.40	$329,110.13	$ —	$36,081.53	$1,465,143.00
Nine Months Ended September 30, 1941:					
Gas sales and purchase contracts	$1,465,143.00	$219,771.45	$ —	$ —	$1,684,914.45
Gas sales contracts—other	—	29,462.62	—	29,462.62(B)	—
	$1,465,143.00	$249,234.07	$ —	$29,462.62	$1,684,914.45

NOTES:

A. See Note B to the Statement of Consolidated income for basis of amortization of gas sales and purchase contracts.

B. Application of the accumulated reserve for amortization of gas sales contracts—other, as reduction of the asset account.

C. It has not been the policy of the Company to provide for amortization of organization expense and miscellaneous intangibles set forth in Schedule VII.

[fol. 15091] (Exhibit 147.)

For immediate Release Friday, January 23, 1942

Securities and Exchange Commission, Washington

Holding Company Act Release No. 3286.

In the Matter of

Columbia Gas & Electric Corporation, Columbia Oil & Gasoline Corporation, Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation, Indiana Gas Distribution Corporation, The Ohio Fuel Gas Company

File Nos. 59-33, 70-263, 70-371, 70-387, 70-430, 70-431

(Public Utility Holding Company Act of 1935)

Findings and Opinion of the Commission

Acquisition of Securities By Registered Holding Company or Subsidiary:

Application pursuant to Section 10 of the Act by non-utility subsidiary company with respect to its acquisition from the parent holding company of the entire stock and debt of another non-utility subsidiary and of a utility subsidiary of the parent at the parent's investment cost therein approved, and declaration by parent under Section 12 (f) of the Act with respect thereto permitted to become effective, subject to the condition that there be eliminated from the investment cost of the parent in the non-utility subsidiary of the undepreciated portion of an item representing a profit paid to another wholly-owned subsidiary of the parent, the Commission making no adverse findings under Sections 10(b) and 10(c) (1) of the Act and finding, with respect to the utility subsidiary, that the acquisition has the tendency required by Section 10 (c) (2) of the Act.

Consideration—Constructive Trust

Where all persons interested in subsidiary acquiesced and gave general releases for substantial consideration and with knowledge of all the facts imposition of constructive trust upon parent holding company in favor of acquiring subsidiary found inappropriate.

Where imposition of constructive trust upon parent in favor of acquiring subsidiary would involve construction of decree of court in light of all circumstances surrounding its issuance when court is engaged in such construction, held matter will be left to determination of court since transactions will not affect rights with respect thereto.

[fol. 15092] Acquisition of Utility Assets by Registered Holding Company or Subsidiary:

Application pursuant to Section 10 of the Act by non-utility subsidiary with respect to its acquisition of utility assets from associate company for consideration measured by sale price of similar properties to a non-affiliate in an arms-length bargain where cost records not available approved, and declartion by associate under Section 12 (f) of the Act with respect thereto permitted to become effective, the Commission making no adverse findings under Section 10 (b) and 10 (c) (1) of the Act and finding, that the acquisition has the tendency required by Section 10 (c) (2) of the Act.

Acquisition of Securities by the Issuer:

Declarations under Section 12 (c) and 12 (f) of the Act with respect to the acquisition by subsidiary company at par of its own securities from parent, intermediate company in holding company system and acquisition by latter at principal amount of its own securities from parent holding company permitted to become effective and applications under Section 10 of the Act with respect thereto approved, to extent that provisions of Section 10 of the Act are applicable.

Consideration—Purchase by Parent of Securities of Subsidiary at Discount

Where subsidiary received full consideration in money or money's worth for claims and all persons interested in transaction acquiesced and executed general releases for valuable consideration and with knowledge of all facts, claim of parent will not be reduced despite fact that there might be basis for contention that claims were purchased by it at discount.

Consideration—Offset Against Parent for Excessive Dividends Received on Securities to be Retired

Commission will take all necessary action to prevent abuse of control by parent to prevent refunding of securities of subsidiary on more favorable terms but will not consider claims and defenses as to past abuse where judicial action is pending with respect thereto, and large minority stockholder, which with parent owns almost entire equity in subsidiary, states matter should be left to judicial determination.

Exemption of Security Issue of Registered Holding Company or Subsidiary

Issue Solely For Purpose of Financing Business of Subsidiary

Application by non-utility subsidiary company pursuant to Section 6 (b) of the Act for exemption from the provisions of Section 6 (a) with respect to the issue and sale of bonds and preferred stock to refund part of outstanding preferred stock and to finance acquisitions and additional construction granted, jurisdiction being reserved with respect to matters arising in competitive bidding.

Propriety of Preferred Stock

While common stock issue is preferable, no condition under Section 6 (b) is imposed with respect thereto where property and earnings ratios are proper and preferred stock is issued with adequate sinking fund provision.

[fol. 15093] Deferred Stock Vote

No normal vote required to be given to preferred stock to be issued where such stock elects majority of directors after four quarterly dividend defaults and two-thirds vote of such stock is required in matters most likely adversely to affect it; and where smaller outstanding issue with right to elect two directors is being considered in pending 11 (b) (2) proceedings which will be given prompt hearing.

Legal Fees

Jurisdiction reserved with regard to legal fees payable by parent holding company and subsidiaries for services in connection with actions approved.

Appearances:

Ambrose Selig, William R. Nowlin and Sidney Willner, for the Public Utilities Division of the Commission.

William H. Button, James B. Alley and Charles R. Lowther, for Columbia Oil & Gasoline Corporation.

Wayne Johnson, Jr., Edward S. Pinney, William Wemple, and Frederick S. Beebe, of Cravath, DeGersdorff, Swain & Wood, for Columbia Gas & Electric Corporation, Michigan Gas Transmission Corporation, and Indiana Gas Distribution Corporation.

Robert J. Bulkley, Arthur Logan, and Russell Hardy, and Richard B. Hand, 111 Broadway, New York, New York, for Missouri-Kansas Pipe Line Company.

Edwin N. Goodwin and William L. Glenn, for Panhandle Eastern Pipe Line Company.

James McGlothlin, John F. Mack and J. C. Laylin, for W. H. Danforth.

John D. Ellis, for the City of Cincinnati.

James H. Lee, for the City of Detroit.

Kenneth L. Sater, for the Public Utilities Commission of Ohio.

Eugene Bleiweiss, for Abner Goldman.

The applications and declarations presently before us, pursuant to Sections 6, 7, 9, 10, 12 (c) and 12 (f) of the Public Utility Holding Company Act of 1935 and rules promulgated thereunder, constitute part of a consolidated proceeding and are concerned with the following transactions:

(1) The disposition by Columbia Oil & Gasoline Corporation (hereinafter referred to as Columbia Oil) to Panhandle Eastern Pipe Line Company (hereinafter referred to as Panhandle Eastern) and the acquisition by the latter of the Class A preferred stock of Panhandle Eastern in the par value of $10,000,000;

[fol. 15094] (2) The sale by Columbia Gas & Electric Corporation (hereinafter referred to as Columbia Gas) to

Panhandle Eastern and the acquisition by the latter of the stock and debt of Michigan Gas Transmission Corporation (hereinafter referred to as Michigan Gas) and of Indiana Gas Distribution Corporation (hereinafter referred to as Indiana Gas) at the alleged investment cost of those companies to Columbia Gas plus undistributed surpluses at the date of the transaction, such prices being, as of September 30, 1941, $10,780,840.59 for Michigan Gas, and $153,698.20 for Indiana Gas; and the sale by The Ohio Fuel Gas Company (hereinafter referred to as Ohio Fuel), a subsidiary of Columbia Gas, to Panhandle Eastern and the acquisition by the latter of certain pipe lines and other property owned by Ohio Fuel in the states of Indiana and Ohio at a price of $439,326.08, which is based on the amount received for the sale of similar property to a non-associated purchaser;

(3) The disposition by Columbia Gas to Columbia Oil and the acquisition by the latter of $11,000,000 face amount of debentures of Columbia Oil held by Columbia Gas;

(4) The issue and sale of securities for the financing by Panhandle Eastern to secure the funds necessary to carry out the transactions described in (1) and (2) supra, as well as for certain additional construction.

History of Proceedings

On May 20, 1941, we ordered[1] a hearing to be held June 3, 1941 on an application by Columbia Gas seeking approval of the acquisition by it of the securities and debt of certain wholly-owned oil and gasoline subsidiary companies of Columbia Oil. That transaction was part of a plan filed with the United States District Court for the District of Delaware on June 20, 1939 by the parties to a pending anti-trust action involving the control by Columbia Gas and Columbia Oil of Panhandle Eastern for the settlement of that action.

During the intervening period, on May 27, 1941, we handed down our Findings, Opinion and Order[2] denying the application of Columbia Oil to be declared not to be a subsidiary of Columbia Gas and denying the application of

[1]Holding Company Act Release No. 2766.
[2]Holding Company Act Release No. 2778.

Panhandle Eastern to be declared not to be a subsidiary of Columbia Oil and of Columbia Gas. In our same order, we granted the application of Panhandle Eastern to be declared not to be a subsidiary of Missouri-Kansas Pipe Line Company (hereinafter referred to as Mokan).

The hearing on the aforementioned application of Columbia Gas was at its request continued subject to call of the Trial Examiner. On June 7, 1941, Columbia Gas, Columbia Oil, and Mokan entered into an agreement modifying the plan previously mentioned for settlement of the pending anti-trust action. Subsequently, Columbia Gas amended its applications and Columbia Oil and Panhandle Eastern filed applications and declarations to obtain our approval of various transactions embodied in the said plan as modified.

[fol. 15095] On August 25, 1941, we issued a notice of and order[3] instituting proceedings under Sections 11 (b) (1), 11 (b) (2), 12 (c), 12 (f), and 15 (f) of the Public Utility Holding Company Act against Columbia Gas, Columbia Oil, Michigan Gas, Indiana Gas, and Panhandle Eastern and consolidated the several applications and declarations with the said proceedings. The hearing on the said consolidated proceeding was set for September 16, 1941, but at the request of Columbia Gas and Columbia Oil was twice postponed until October 14, 1941.

After argument before us, we entered an order[4] on October 15, 1941 granting Mokan, as owner of 42% of the common stock of Panhandle Eastern, the limited right to participate in the proceeding to the extent of adducing evidence, cross-examining witnesses and presenting oral argument. Similar action was taken with respect to William H. Danforth as beneficial owner of 98,756 shares of common stock of Columbia Oil and as trustee of a trust holding 25,934 additional such shares, and to Abner Goldman as the owner of 500 shares of common stock of Columbia Gas (orders having previously been entered granting the applications for intervention as of right of the Public Utilities Commission of Ohio, the City of Cincinnati,

[3] Holding Company Act Release No. 2963.
[4] Holding Company Act Release No. 3078.

and the City of Detroit). In addition, at the request of the Staff and over the opposition of Columbia Oil and Danforth, we ordered that upon the resumption of hearings evidence bearing upon the issues raised under Section 11 (b) (1) should first be introduced and thereafter evidence relating to the remaining issues in the proceeding in accordance with our further directions. At the request of Columbia Oil, the hearings were adjourned until October 28, 1941.

After resumption of the hearings and the introduction of some evidence relating to the 11 (b) (1) issues, discussions were had between the Staff and representatives of the respondents at the request of the latter with respect to the possibility of modifying the order of procedure so as to achieve a more expeditious determination of certain of the issues involved. Accordingly, the latter proposed to file applications and declarations relating to the transactions presently before us and the Staff made a recommendation that the order of procedure as set forth in our order of October 15, 1941 be modified so as to permit consideration of the applications and declarations so to be filed prior to further consideration of the 11 (b) (1) issues.

After argument, on November 7, 1941, held at the request of Mokan, we issued an order[5] on November 14, 1941 overruling the objection of Mokan to the modifications of the order of procedure and consolidating the new applications which had been filed in the intervening time with the consolidated proceeding.

We further ordered that the hearings should be resumed on November 25, 1941, at which time the issues raised by the present applications and declarations should be introduced first, to be followed by the evidence bearing upon the remaining issues under Section 11 (b) (1). In addition, we reserved the right to enter appropriate orders at any time. Accordingly, hearings were held from November 25 to November 29, 1941, inclusive, at which evidence relating to the present filings was introduced.

[fol. 15096] After consideration of the entire record, we make the following findings:

[5] Holding Company Act Release No. 3128.

Brief Description of Applicants and Declarants

Panhandle Eastern, a subsidiary of Columbia Oil and Columbia Gas, is a non-public utility holding and operating company incorporated in Delaware in 1929. It is engaged in the production, purchase, transmission, and sale of natural gas. It taps fields in Texas and Kansas and its lines run through Texas, Oklahoma, Kansas, Missouri, and Illinois to a point on the Indiana-Illinois border near Dana, Indiana, where its line connects with that of Michigan Gas. It has outstanding the following securities:

$12,000,000 Series B 3% Bonds due November 1, 1960

$6,250,000 Series A Bonds due serially November 1, 1946 to November 1, 1950

$5,000,000 of notes due serially November 1, 1942 to November 1, 1945

Class A, $100 par preferred stock,* $6 cumulative, participating	100,000 shares
Class B, $100 par preferred stock,* $6 cumulative, non-participating	10,000 shares
Common Stock, no par (stated value $25 per share)	807,367 shares

*(Class A stock is redeemable, Class B is not).

All of Panhandle Eastern's preferred stock is held beneficially for Columbia Oil, as are also 404,326 shares, or 50.1% of Panhandle Eastern's common stock. 339,475 shares, or 42.0% of the common stock, is owned by Mokan. The remaining 7.9% is in the hands of over 1,700 holders. The bonds of Panhandle Eastern (many of which are bearer bonds) are stated to be held by interests unaffiliated with the Columbia companies.

Columbia Oil, a non-public utility holding company, was incorporated in Delaware in 1930 for the purpose of acquiring from Columbia Gas the oil and gasoline subsidiaries previously owned by the latter. It has outstanding the following securities:

6% debentures due 1956	$20,400,000 principal amount
Preferred Stock, participating (stated value $34,087,500)	400,000 shares
Common Stock, $1 par	2,336,826 shares

Columbia Gas holds all the preferred stock and all of the outstanding debentures. It holds none of the common stock. This stock, issued to Columbia Gas on the formation of Columbia Oil in 1930, was in the same year placed in a voting trust. The voting trust certificates were, in that year, distributed to the holders of Columbia Gas common stock as a dividend. The voting trust was dissolved in [fol. 15097] 1936 as a part of a recapitalization of Columbia Oil, and the common stock was distributed to the holders of the voting trust certificates.

Michigan Gas, a wholly-owned subsidiary of Columbia Gas, is a non-public utility corporation organized in Delaware in 1935. It owns and operates a gas transmission line connecting with the Panhandle Eastern line at Dana, Indiana, and extending to Detroit, Michigan. The gas transmitted through its line is delivered primarily to the Michigan Consolidated Gas Company for the account of Panhandle Eastern. Michigan Gas also owns a pipe line extending from a point on the Detroit line near Zionsville, Indiana, to Muncie, Indiana, where it connects with the line of Ohio Fuel which is proposed to be sold to Panhandle Eastern.

Indiana Gas, a public utility company incorporated in Indiana in 1931, is also a wholly-owned subsidiary of Columbia Gas. It owns distribution facilities in western Indiana located along the transmission lines of Michigan Gas from which it receives all of its gas requirements. It sells gas at retail to approximately 1,800 customers and to one industrial customer.

Ohio Fuel, a subsidiary of Columbia Gas, is a public utility company incorporated in Ohio. It is engaged primarily in the production, transmission, and distribution of natural and manufactured gas in the State of Ohio. Its distribution area is centered in Columbus, Toledo, Zanesville, Springfield, Lorain, Mansfield, Marion, and the areas contiguous thereto.

Acquisition and Disposition of Panhandle Eastern Class A Preferred Stock

As we have previously stated, Columbia Oil holds the entire outstanding issue of Panhandle Eastern's Class A, cumulative participating preferred stock in the par amount of $10,000,000. This stock is entitled to cumulative preferential dividends of $6 a share. In addition, after certain reserve requirements have been met and dividends on the common stock to the extent of $1.50 per share have been declared or paid in any one year, the Class A stock participates in any additional dividends to the extent of 25%. Under the Certificate of Incorporation of Panhandle Eastern, the Class A stock was originally redeemable at any time at par prior to or on July 1, 1941, or at $110 per share thereafter. Various agreements were entered into, however, extending the time in which the Class A stock may be redeemed without payment of the $10 premium. The last such agreement extended the time until April 1, 1942. In its proposal to dispose of the Class A stock to Panhandle Eastern, Columbia Oil proposes to accept par for the stock.

The $10,000,000 par value Class A preferred and the $1,000,000 of Class B preferred stock were issued by Panhandle Eastern on July 1, 1936 in exchange for $11,000,000 of convertible preferred stock. Panhandle Eastern had previously issued $9,400,000 of convertible preferred stock and $1,600,000 of notes convertible into convertible preferred for its 6% promissory notes, in the face amount of $9,891,000, which had been issued for an equivalent amount of cash, plus the unpaid accrued interest thereon of $1,440,789, a total of $11,331,789.

[fol. 15098] Columbia Oil, which received both the Class A and Class B stock, had originally, in 1931 and 1932, acquired directly from Panhandle Eastern one-half of the notes in the face amount of $4,945,500 for that amount of cash, which was advanced to it by Columbia Gas. Mokan, which, like Columbia Oil, at that time owned one-half of the common stock of Panhandle Eastern, caused the one-half of the notes to which it was entitled to subscribe to be issued to its subsidiary, Panhandle Corporation, to which

it also transferred the common stock. Panhandle Corporation pledged the notes and stock of Panhandle Eastern so received by it to a group of bankers (hereinafter called the Hillman group) as security for its own collateral trust notes in the face amount of $4,940,000. These notes were guaranteed by Mokan which, in addition, borrowed $1,060,000 from the Hillman group on its own notes, secured inter alia, by 900 of the 1,000 shares of Panhandle Corporation stock.

In March, 1932, receivers were appointed for Mokan. The claim of the Hillman group on the Mokan notes was liquidated by the receipt by it of cash plus 750 shares of Panhandle Corporation stock. The interest of Mokan, or its receivers, in Panhandle Eastern was thus reduced to a one-quarter interest in the pledgor's equity of Panhandle Corporation in one-half of the common stock and notes of Panhandle Eastern.

On March 2, 1934, Panhandle Eastern failed to pay interest on its notes. On March 15, 1934, the Panhandle Corporation notes, whose maturity date had been extended, with the consent of 98% of the noteholders, for one year from March 15, 1933, became due, but the corporation defaulted in the payment of both interest and principal.

This situation remained unchanged, except for the accrual of unpaid interest on the notes of both Panhandle Eastern and Panhandle Corporation, until the settlement agreement dated June 1, 1936. During the intervening period, however, via. in March 1935, a civil anti-trust suit was brought by the Department of Justice against Columbia Gas, Columbia Oil, certain of their respective directors, and Hillman, et al, charging them with mismanagement and financial strangulation of Panhandle Eastern. In July 1935, an action for treble damages in the amount of $180,000,000 was brought by the Mokan receivers against the same persons upon identical contentions.

In June 1935, after the commencement of the government anti-trust suit but before the action of the Mokan receivers, Columbia Oil offered to purchase from the Hill-

man group and other noteholders their interests in Panhandle Corporation on condition that the anti-trust suit be settled so as to allow Columbia Oil to retain its interest in Panhandle Eastern. On January 29, 1936, a stipulation and Consent Decree were entered into between the Department of Justice and the defendants, providing inter alia for such retention upon certain conditions. Moreover, after a series of negotiations, an over-all settlement was made with the Mokan receivers of their various claims arising from the alleged mis-management of Panhandle Eastern, the essential terms of which were approved by the Delaware Court having jurisdiction over the receivership. This agreement was consummated on June 5, 1936, and was dated as of June 1, 1936.

[fol. 15099] For the purpose of carrying out the terms of the stipulation and Consent Decree as well as the settlement, Columbia Oil purchased the securities of Panhandle Corporation from the Hillman group and other holders of Panhandle Corporation notes, paying $4,183,-393.92 for the notes of that corporation in the face amount of $4,940,000 secured by the notes and stock of Panhandle Eastern, and paying $693,671.71 for the 750 shares of the Panhandle Corporation common stock held by the Hillman group. In addition, it advanced $213,092.58 to Panhandle Corporation for its debts and expenses, paid the receivers of Mokan $300,000 in cash, released Mokan from its guaranty of the notes of Panhandle Corporation, and from its liability to Panhandle Eastern in the amount of $42,-606.74, recapitalized Panhandle Eastern and gave to the Mokan receivers half of the common stock of Panhandle Eastern. Columbia Oil itself received the Class A and Class B stock upon surrender of the convertible preferred which in turn had been issued for the promissory notes as aforesaid. The Mokan receivers, in exchange, surrendered their 250 shares in Panhandle Corporation and released Columbia Oil, Columbia Gas, their directors, and Hillman from all claims and causes of action on their own account and that of Panhandle Eastern for all past derelictions. Columbia Gas, among other things, recapitalized Columbia Oil, surrendered its claims for unpaid dividends, reduced the dividend rights on the new preferred shares,

and reduced interest rates on the debt due to Columbia Gas.

As as has been stated, the Class A preferred is, by its terms, redeemable. During 1938 the management of Panhandle Eastern discussed the possibility of refunding it by the issuance of a security without the participation feature and with a lower preferential dividend rate. These proposals envisaged the substitution of a convertible preferred and were objected to by Mokan for that reason, since the conversion of such stock would strengthen Columbia Oil's control over Panhandle Eastern. In July, 1939, however, offers were made by banking groups to market a cumulative, non-convertible, non-participating preferred bearing dividends of 4½ to 5%, the proceeds of which could be used to retire the Class A stock.

In December of 1938, the Department of Justice had petioned to reopen the Consent Decree on the ground that the Decree had failed to accomplish its objective, the divestment of the control of Columbia Gas over Panhandle Eastern. In June, 1939, Columbia Gas and Columbia Oil entered into a new settlement agreement, which, with certain conditions, obtained the acquiescence of the Department of Justice and the approval of the court having jurisdiction over the Consent Decree. One of the provisions of that agreement was that the Class A stock should be refunded. A common stockholder of Columbia Gas brought an action to restrain the carrying out of the settlement plan on the ground that some of its provisions were unfair to that company. Columbia Oil refused and continued to refuse to permit the refunding of the Class A stock unless the other provisions of the plan were simultaneously consummated. In its present declaration, however, it consents to such refunding without regard to the action taken with respect to such collateral transactions other than those involved herein.

There seems to be no question but that the retirement of the Class A stock by Panhandle Eastern is in the interest of the public and of investors and consumers, in that it will permit the substitution of securities having far less [fol. 15100] burdensome terms. The problems raised by the application and declarations with respect to the pro-

posed transaction relate solely to the price to be paid for the stock. The charter originally provided for the payment of a ten-point premium per share if the redemption is not out of earnings and takes place subsequent to July 1, 1941. Columbia Oil by agreement extended such time for redemption without premium until April 1, 1942, and in its application waives the premium entirely. We have no difficulty in approving such waiver in the circumstances here present, including the interference by Columbia Oil with the proposed earlier redemption.

The circumstances surrounding the origin of the stock have been reviewed with great care in line with our policy, heretofore announced and applied, of preventing holding companies from exercising their controlling influence and strategic position with respect to their subsidiaries so as to profit at the expense of other interests therein. In the present case, despite the evident difficulties in any attempt at allocation of the cost items, there may be some basis for a contention that Columbia Oil purchased the claims which ripened into the Class A and Class B stock at a discount. There are, however, two countervailing factors. The first is the Panhandle Eastern itself received full value in money or money's worth for the stock in the surrender of the promissory notes and the unpaid accrued interest thereon in the total amount of $11,331,000. The second and more important is that the only other groups even contingently interested in the corporation at that time, to-wit, the Hillman group and the Mokan receivers, acquiesced in the purchase of the claims and the issuance of the securities with full knowledge of the facts and as part of a total settlement of all claims and cross claims. These considerations make it unnecessary in the present situation to limit the claim to cost.

In view of the pendency of a judicial action to cause Columbia Oil to account for any excessive dividends received by it as a result of its refusal to permit the earlier refunding of the Class A stock, we shall in the present instance make no ruling as to the propriety of offsetting that item against the price to be paid for the stock. The matter is one lending itself to a judicial determination and Mokan, by far the largest minority stockholder in Panhandle Eastern, has stated that the issues involved should be left to such de-

termination. While so ruling in the present instance, giving weight to the present acquiescence to the refunding, and without attempting to pass upon the merits of such claims and defenses as may be present in the pending action, we take the opportunity to warn against the interference by holding companies with desirable refinancing of subsidiary companies and to indicate that all necessary measures will be taken to deal with such abuse wherever it may be found.

Since we find no reason to modify the price to be paid for the stock and since in all other respects the standards of Section 12 (e) and, to the extent to which they may be applicable, the requirements of Section 10 are clearly complied with, the application and declarations with respect to the disposition and acquisition of the Class A stock at par are approved as filed.

[fol. 15101] Sale and Acquisition of Michigan Gas, Indiana Gas and Ohio Fuel Properties

There again seems to be no question among the many conflicting interests represented in the present proceeding that it is in the public interest that Michigan Gas be acquired by Panhandle Eastern. The functional relationship of Michigan Gas to Panhandle Eastern and its lack of such relationship to the remainder of the Columbia Gas system would seem clearly to support this conclusion.

Michigan Gas was built in the first instance as an extension of Panhandle Eastern, giving the latter an outlet to the Detroit market. All the gas sold or transported by Michigan Gas since 1937 has been gas taken from the Panhandle Eastern line and at the present time Michigan Gas is engaged principally in transporting gas for the account of Panhandle Eastern. The only portion of the remainder of the Columbia Gas system to which gas is delivered through the Michigan Gas line is Indiana Gas, which it is also proposed that Panhandle Eastern acquire as part of the same transaction.

Similarly, Indiana Gas and the pipe lines of Ohio Fuel proposed to be acquired by Panhandle Eastern bear no operating relationship to any portion of the Columbia system other than Panhandle Eastern and Michigan Gas.

In brief, Panhandle Eastern together with Michigan Gas, Indiana Gas, and the Ohio Fuel lines and property proposed to be acquired themselves constitutes an inter-related gas production, transmission and distribution system which is entirely separate from and unrelated to any of the other activities of the Columbia system, deriving its gas in a different area and distributing it in different markets.

As an intra-system transaction, the sale and acquisition will, of course, have no tendency toward interlocking relationships or the concentration of control of public utility companies so as to contravene the provisions of Section 10 (b) (1). So also, not only will the acquisition not tend unduly to complicate the capital structure of the Columbia Gas system within the meaning of Section 10 (b) (3) but it should ultimately, at least, result in a simplification of the system and its capital structure.

While we are not, at the present time, concerned directly with that portion of the consolidated proceeding relating to the divorcement of Panhandle Eastern from Columbia Gas, it has already been noted that the retention of control over the former by the latter has been the subject of an anti-trust suit brought by the Department of Justice and that in its Petition of December 1938, to reopen the Consent Decree, previously entered in the action, the Department of Justice based its contention that the Consent Decree had been ineffective to achieve the results sought to be accomplished therein, principally on the ground that the control by Columbia Gas of Michigan Gas has enabled it to exercise a control, contrary to the public interest, over Panhandle Eastern. Without making any attempt to pass upon the merits of this contention, the conclusion seems permissible that the proposed sale and acquisition may reasonably be deemed not to be detrimental to the interests of consumers but should prove beneficial.

[fol. 15102] Since Michigan Gas is a non-utility operating company, the transaction, insofar as it concerns it, must be tested under the standards of Section 10 (c) (1) rather than those of Section 10 (c) (2). As is apparent from the foregoing discussion, it not only would satisfy the requirements of either subsection since the sale and acquisition are not contrary to the requirements

of Section 11 but might well be required as a step toward the economical and efficient development of an integrated Columbia Gas System. The interests in Indiana Gas and the Ohio Fuel pipe lines do constitute securities and utility assets of public-utility companies, respectively, but here again by reason of their lack of relationship to the Columbia Gas system, their sale as a step in their divorcement from the system will tend toward compliance with Section 11 (b) (1). Hence, no adverse findings need be made with respect to the proposed transactions under Section 10 (c).

An opinion of counsel has been submitted to the effect that all state laws applicable to the proposed transactions have been complied with. Since nothing appears to the contrary, the provisions of Section 10 (f) are satisfied.

The price fixed in the applications for the sale and acquisition of Michigan Gas is stated to be the actual investment of Columbia Gas therein plus any undistributed surplus of Michigan Gas at the time of the consummation of the transaction. With the exception of one item, the record indicates that the figure stated in the application, \$19,780,840.59, as constituting the investment of Columbia Gas in Michigan Gas plus surplus at September 30, 1941, constitutes actual system expenditures and is equal to net plant account after depreciation less the excess of current liabilities over current assets.

The one questionable item is the amount of \$139,424 paid as a fee by Indiana Gas Transmission Corporation, a company subsequently merged into Michigan Gas, to The Columbia Gas Construction Company, another wholly-owned subsidiary of Columbia Gas. This item represents an intercompany profit. At the hearing, a representative of Columbia Gas sought to justify the inclusion of this item in the investment by reason of the implied limitation contained in Rule U-90 to intercompany transactions subsequent to the passage of the Act since the fee in question was paid prior to that time. The question here, however, is not whether the fee was a proper expense to Michigan Gas or was properly received by The Columbia Gas Construction Company, but it is whether it properly

constitutes an investment by Columbia Gas in Michigan Gas. Since Columbia Gas, as the sole owner of The Columbia Gas Construction Company, in effect, received the profit which Michigan Gas paid, it cannot possibly be claimed that it represents a system expenditure in Michigan Gas, and hence is not properly included in the investment account. It appears from the record, however, that this item had been depreciated as of September 30, 1941 in the amount of $34,500 since it was set up. We shall, therefore, not allow the undepreciated portion of this item ($104,924 as of September 30, 1941) to be included in the computation of the price. Columbia Gas has agreed to the exclusion of this item.

A more fundamental question arises with respect to the propriety of the basis employed, i.e., investment cost, in computing the price. It has been suggested that Columbia Gas cannot be considered the beneficial owner of Michigan Gas, but occupies, instead, the position of a constructive trustee and that the price should be computed on that basis, subtracting from the investment of Columbia Gas in Michigan Gas the profits which it has received since its construction.

[fol. 15103] There would seem to be no question but that Panhandle Eastern was subject to a controlling influence by Columbia Gas at the time of the construction of the "Detroit Extension." Such conclusion is inescapable from the record and our previous Findings and Opinion in passing upon applications of Panhandle Eastern and Columbia Oil under Section 2 (a) (8)[6]. It is equally clear that the extension might well be considered a corporate opportunity belonging to Panhandle Eastern as a natural and necessary adjunct to its operations, bearing little relation to the operations of the remainder of the Columbia system. While Panhandle Eastern was unable at the time itself to finance the construction of the extension by reason of insolvency resulting from the default on its 6% promissory notes, there is some indication that this might have been the result of the wrongful exercise of their control by the Columbia interests. Moreover, under the decision in Irving Trust Co. v. Deutsch, 73 F. (2d) 121, such

[6] Holding Company Act Release No. 2778.

financial inability even if it existed would not constitute a defense to Columbia Gas for its breach of fiduciary obligation in appropriating the corporate opportunity.

Again, however, it must be noted that the only persons even contingently interested in Panhandle Eastern at the time of the "wrong" other than Columbia Gas and Columbia Oil were the receivers and the Hillman group. They were therefore the sole beneficiaries of the fiduciary obligation imposed on Columbia Gas by reason of its control over Panhandle Eastern. Accordingly, the transactions with those groups under the settlement agreement of June 1, 1936, approximately seven months after the organization of Michigan Gas and at a time when the Detroit extension was almost completed, would seem to make inappropriate the imposition of constructive trust on the above theory.

Mokan, however, has advanced the contention that the releases then given expressly excepted such rights as might flow from the agreement itself and from the Consent Decree and that the latter properly construed makes it clear "that the ownership of Michigan Gas stock and indebtedness by Columbia Gas, cannot be a full beneficial ownership, but must be only such ownership as will secure the repayment of advances." The portion of the Consent Decree relied upon for this position is as follows:

"That the defendants be and they are hereby perpetually enjoined from *** interfering in any manner in the freedom of Panhandle Eastern to contract or to finance or arrange the financing of all contracts, extensions (including the proposed new line to Detroit, whether or not built and owned by it), ***.

"That if such contracts be made with or financial assistance be secured from Columbia Gas, such contracts may be made or financial assistance furnished upon terms or conditions which do not in any way, directly or indirectly, presently or potentially, *** confer any rights of ownership in the works or properties of Panhandle Eastern except as security for the investment *****."

It is apparent from reading the matter above quoted that any attempt to give the decree the claimed effect

would involve the construction of the mandate of a court in the light of all the circumstances surrounding its issuance at a time when that very court itself is being asked to construe it. We therefore again find it inappropriate to pass upon the merits of the issue. Our present ruling will, of course, not affect any rights of action or to an accounting which Panhandle Eastern or its stockholders may have.

[fol 15104] A capitalization of the present earnings of Michigan Gas might justify a higher price than investment cost in an arm's-length bargain. Here again, countervailing factors, difficult to assess, are present. The rates charged by both Michigan Gas and Panhandle Eastern giving rise to the present earnings are being reviewed at the present time by the Federal Power Commission and may be subject to a downward revision. Moreover, the allocation of earnings between Panhandle Eastern and Michigan Gas is based upon a contract between the parties, which might be subject to some question. In view of all the attendant circumstances we conclude that the sale of Michigan Gas at a price based upon Columbia Gas's investment cost as adjusted herein is not unreasonable.

The proposed price for Indiana Gas, $153,698.20 also represents actual investment of Columbia Gas therein and no question has been raised nor does any appear in the record with respect to the computation of such investment or its use as a basis.

The proposed price of Ohio Fuel properties is $439,326.08. This price is considerably below the estimated original cost of the lines and is based upon the sale price in an arm's-length transaction to a non-affiliate of similar properties in the same area. No adequate cost figure is available and so far as appears from the record, the price represents a reasonable approximation to the value of the property.

The applications and declarations with respect to these transactions are therefore approved except that we direct that the price to be paid to Columbia Gas for Michigan Gas shall not include the item of $104,924 as of September 30, 1941, described above.

Acquisition and Disposition of Columbia Oil Debentures.

By reason of the recapitalization of 1936 and subsequent advances in that year and 1937 from Columbia Gas to Columbia Oil, Columbia Gas received $21,000,000 of Columbia Oil debentures carrying interest of 3% for two years and increasing 1% a year until February, 1940, when the interest rate became 6%. Through the operation of the sinking fund provision, the face amount of debentures outstanding has been reduced by $600,000 so that it is now $20,400,000. In the present application and declarations, Columbia Oil is to use the $10,000,000 to be received by it from the disposition of the Panhandle Eastern Class A preferred stock plus $1,000,000 of cash now held by it for the redemption of $11,000,000 face amount of the debentures at their face amount. In its declaration, Columbia Gas has agreed to accept the face amount, thereby waiving the four-point premium now payable on retirement of the debentures under the terms thereof.

The reduction of the outstanding debt of Columbia Oil by the amount proposed and the receipt by Columbia Gas of an equivalent amount of cash are in the public interest and in the interest of investors of both companies as well as of consumers. The transaction complies with the requirements of Sections 12 (c) and 12 (f) as well as the standards of Section 10, to the extent that the latter are applicable.

[fol. 15105] Proposed Financing By Panhandle Eastern

Panhandle Eastern proposes to issue and sell $10,000,000 of First Mortgage Bonds and $15,000,000 par value of preferred stock at competitive bidding.

It proposes to devote the proceeds from these securities, plus cash on hand and to be derived from operations, to the following purposes:

(1) Retirement of its Class A Preferred Stock		$10,000,000
(2) Acquisition of Assets:		
Stock and debt of Michigan Gas	$10,675,917 [7]	
Stock and debt of Indiana Gas	153,698 [7]	
Lines of Ohio Fuel Gas	439,326	11,268,941

[7] As of September 30, 1941. The price includes undistributed surplus, which may be paid up to Columbia prior to the sale.

(3) Construction Expenditures:

Panhandle Eastern	8,493,700	
Illinois Natural Gas	254,300	8,748,000
		$30,016,941

The construction program indicated consists of the extension of Panhandle Eastern's lines into the state of Michigan so as to supply natural gas to Consumers Power Company; the increase of the capacity of its main line from Texas to Dana, Indiana, through the construction of 146 miles of looping; and additions to compressor facilities. It is estimated that the construction will be completed by the middle of 1942.

Fixed Assets

At September 30, 1941 the fixed assets of Panhandle Eastern on a consolidated basis and of Michigan Gas, Indiana Gas and the Ohio Fuel properties to be acquired were as follows:

	Gross Tangible Property	Intangibles (Net)	Total Fixed Assets
Panhandle Eastern (consolidated)	$65,502,541	$1,782,468	$67,285,009
Michigan Gas	12,533,353	84,000	12,617,353
Indiana Gas	184,581	11,414	195,995
Ohio Fuel properties	439,326 *	—	439,326 *
	$78,659,801	$1,877,882	$80,537,683

Panhandle Eastern states that its property account is stated at cost, except for certain "local area property," having a present book value of $1,918,149[a], which was donated to Panhandle Eastern by Mokan as of August 31, 1930 in accordance with the terms of the September 17, [fol. 15106] 1930 contract which also provided for the sale of half of Mokan's interest in Panhandle Eastern to Columbia Oil. The intangibles represent the valuation of gas

*Represents the proposed price of the properties. Their gross ledger value on the books of Ohio Fuel is approximately $677,400.

[a]The original valuation of these properties of $2,417,949 was the same as that on the books of Mokan, but this amount appears to have reflected profits to affiliated interests aggregating $773,893.

purchase and sale contracts and appear to include substantial write-ups.[10] The intangibles have been and are being amortized and the largest items will be written off completely by December 31, 1945.

The property accounts of Michigan Gas and Indiana Gas are allegedly stated at original cost, as defined by The Federal Power Commission, except for the $139,424 construction fee described hereinbefore. The intangibles of Michigan Gas represent, for the most part, legal fees incurred in connection with gas contracts, and there are $48,870 of other legal fees included in tangible property account, resulting in a total of $123,937 of legal fees in the fixed asset account.

Reserves For Depreciation, Depletion and Amortization

The reserves for depreciation, depletion and amortization of Panhandle Eastern, Michigan Gas, and Indiana Gas at September 30, 1941 were as follows:

		% of Property[11]
Panhandle Eastern (consolidated)	$10,526,505	16.3
Michigan Gas	1,597,032	13.0
Indiana Gas	26,559	14.1
	$12,150,096	15.7

Panhandle Eastern provides reserves for depletion on operated leaseholds on the basis of units of gas withdrawn, amortization of unoperated leaseholds on the basis of a ten-year life, and depreciation on transmission properties on a basis including the estimated life of the gas reserves as well as the estimated life of the transmission properties. The ratio of accruals of Panhandle and its subsidi-

[10]As of August 31, 1930, $2,398,402 was debited to intangibles to record the valuation of certain gas contracts donated by Mokan. Such contracts had been carried on the books of Mokan at $926,250, and it appears that this valuation represented largely the stated value of stock issued to affiliated interests for contracts acquired by such interests without cost.

[11]Excluding construction work in progress and, in the case of Panhandle Eastern, intangible assets, for which a separate reserve is provided; in the case of Michigan and Indiana, the figure includes intangible assets, as one reserve is provided for all fixed assets.

aries to the tangible property at the beginning of the calendar year has been as follows:

1938	2.99%
1939	3.20%
1940	3.19%

An independent geologist has estimated that the minimum life of the gas reserves is 25 years. It was testified that the company could, without difficulty, acquire reserves sufficient for 30 to 35 years after allowing for a greatly expanded market in Michigan.

[fol. 15107] Michigan Gas and Indiana Gas have respectively appropriated 3% and 2% annually for their property reserves.

The relationship of Panhandle Eastern's debt and preferred stock to consolidated fixed assets as of September 30, 1941, actual and pro forma, is as follows:

	Actual %	Pro Forma[12] %
Funded debt to Fixed Assets, including Intangibles (Net)	34.6	37.2
Funded debt to Tangible Property	35.5	38.0
Funded debt to Fixed Assets, including Intangibles, less Reserves	41.0	43.0
Funded debt to Net Tangible Property	42.3	44.1
Funded debt and Preferred Stock to Net Tangible Property	62.3	65.3

The present (as of September 30, 1941) and pro forma consolidated capitalization of Panhandle Eastern is as follows:

Consolidated	Actual Amount	Actual %	Pro Forma Amount	Pro Forma %
Funded Debt				
1st Mortgage Series A, 1946-1950	$6,250,000	10.28	$6,250,000	8.25
1st Mortgage Series B, S.F. 3's 1960	12,000,000	19.75	12,000,000	15.83
1st Mortgage Series C, S.F. 3's 1962	—		10,000,000	13.20
Serial Notes, 1942-1945	5,000,000	8.23	5,000,000	6.60
Leasehold Purchase Obligation	14,256	.02	14,256	.02
	$23,264,256	32.28	$33,264,256	43.90

[12] After allowing for the acquisition of Michigan Gas, Indiana Gas, and the lines of Ohio Fuel and for the construction of authorized but unpaid for property additions as of September 30, 1941.

Preferred Stock				
Class A	$10,000,000	16.46	$ —	—
Class B	1,000,000	1.64	1,000,000	1.32
Cumulative Preferred			15,000,000	19.80
	$11,000,000	18.10	$16,000,000	21.12
Common and Surplus				
Common Stock — 807,367 sh.	$20,184,175	33.21	$20,184,175	26.64
Earned Surplus	6,323,041 [13]	10.41	6,323,041 [13]	8.35
	26,507,216	43.62	26,507,216	34.99
	$60,771,472	100.00	$75,771,472	100.00

[fol. 15108] Earnings

Comparative consolidated income and expense statements of Panhandle Eastern Pipe Line Company are summarized below, given to the nearest thousand dollars:

	1939	1940	12 Mos. Ended Sept. 30, 1941 Actual	12 Mos. Ended Sept. 30, 1941 Pro Forma
Gross Income	$5,616	$5,728	$5,461	$6,489 [14]
Interest on Funded Debt	923	908	662	841 [15]
Other Interest and Fixed Charges	329	276	297	280 [16]
Total Fixed Charges	$1,252	$1,179	$ 959	$1,121
Net Income	$4,364	$4,548	$4,502	$5,368
Preferred Dividend Requirements	660	660	660	735 [17]

[13] After deduction from surplus of $2,081,485 of debt discount and expense and call premiums, such items having been written off since September 30, 1941.

[14] After the acquisition of Michigan Gas and Indiana Gas, but without allowing for either increased revenues from new property construction or changes in income taxes or excess profits taxes.

[15] Adjusted to give effect to a refunding of the funded debt on February 3, 1941, and assuming the issuance of $10,000,000 principal amount of 3% bonds.

[16] Without allowing for the charge-off of unamortized debt discount and expense and call premiums. (See Note to capitalization chart)

[17] Assuming the retirement of the A stock and the issuance of $15,000,000 of 4½% Preferred Stock.

	1939	1940	12 Mos. Ended Sept. 30, 1941 Actual	Pro Forma
Net to Common and Participating Preferred	$3,704	$3,888	$3,842	—
Net to Common only	—	—	—	$4,633

The margin of earnings protection for the securities in terms of times requirements earned is summarized as follows:

			12 Mos. Ended Sept. 30, 1941	
	1939	1940	Actual	Pro Forma
Times earned:				
Interest on Funded Debt	6.08	6.34	8.25	7.72
Fixed Charges	4.49	4.86	5.69	5.79
Preferred Dividend Requirements	6.61	6.89	6.82	7.30
Fixed Charges and Preferred Dividends	2.94	3.11	3.37	3.50
Earned per Share of Common	$4.59[18]	$4.82[18]	$4.76[18]	$5.74

[fol. 15109] It must be pointed out that Panhandle Eastern Pipe Line Company's earnings are perhaps at flood tide at the present time in view of the rapid increase in the volume of its business due both to expansion of the territory served and to the defense activity in the areas served. There is at present pending before the Federal Power Commission a rate case to determine a proper charge of Panhandle Eastern Pipe Line Company to make for the gas sold to Michigan Consolidated Gas Company, the most important single customer. The earnings coverage which might be expected as a result of a drastic rate cut, if such rate cut is made, followed by depressed business conditions is, of course, impossible to estimate, but it is probable that Panhandle will be able to recover some revenues lost in such a rate cut through increased business as a consequence not only of lower rates but of expanding into new markets and continuing to develop old markets.

The Securities to be Issued

A. The Bonds

Security. The Series C Bonds will be issued under an Indenture dated November 1, 1940 (under which the

[18] Without allowing for participating dividends on the A preferred stock.

Series A and B Bonds were issued) and under a Supplemental Indenture dated January 1, 1942 from the company to City Bank Farmers Trust Company and James M. Kemper, as Trustees. They will be secured by all fixed properties of Panhandle Eastern, with minor exceptions having an aggregate book value of $3,135,000, as well as by all the securities of Illinois Natural Gas Company, a wholly-owned subsidiary of Panhandle Eastern. Panhandle Eastern agrees in the supplemental indenture not to pledge or hypothecate any of the securities of Michigan Gas nor to allow Michigan Gas to incur any indebtedness, with certain limited exceptions, other than to Panhandle Eastern; and that within two years Michigan Gas will be either merged with Panhandle Eastern or brought under the terms of the indenture as a qualified subsidiary.

Additional Bonds. The indenture provides that additional bonds may be issued to the extent of 60% of property additions. The bonds issuable against Michigan Gas upon its merger with Panhandle Eastern or its qualification under the indenture are limited to $4,000,000.

Sinking Fund. Through serial maturities and the operation of a sinking fund, all the presently outstanding funded debt will be retired by 1950. The supplemental indenture will likewise provide for a sinking fund for the Series C Bonds sufficient to retire all but $500,000 principal amount by the date of maturity, January 1, 1962.

Maintenance and Construction Clause. The supplemental indenture will provide that the company will annually pay, in cash, to the trustee any excess of 3% of consolidated gross tangible property, computed monthly, over the actual expenditures for maintenance, additions to property (including renewals and replacements), retirement of bonds or the presently outstanding serial notes, and retirement of preferred stock other than that refunded by substitution of other stock. Properties constructed or acquired under the maintenance and construction clause are to be considered as bonded.

[fol. 15110] Dividend Provisions. The original indenture restricts dividends and other distributions on capital stock,

including purchase and redemption, to surplus per books earned since January 1, 1940 plus $1,500,000. The supplemental indenture will provide, in addition, that in computing such earned surplus in connection with dividends or distributions on common stock the surplus per books shall be adjusted by deducting therefrom the 3% of gross property per year, computed monthly as required in the maintenance and construction clause, and by adding thereto the actual book provisions for maintenance, depreciation and depletion.

Redemption Provisions. The Series C Bonds may be called at any time in whole or in part in principal amounts of at least $500,000 on 30 days' notice, at call premiums ranging from three points above the price at which the bonds are initially offered to the public by underwriters or the price to private purchasers, as the case may be, to zero on January 1, 1961. There are special redemption prices for the sinking fund, the initial call price being one-half of 1% above the price to the public or private purchasers.

B. Preferred Stock

Panhandle Eastern proposes to create a new class of Cumulative Preferred Stock, $100 par value, having a total of 250,000 authorized shares, and proposes to issue 150,000 shares thereof at this time. The dividend rate and the price are to be fixed by competitive bidding. The involuntary liquidating value of the present issue is to be $100 per share plus accrued dividends and the voluntary liquidating value will be equivalent to the redemption price.

Issuance of Additional Shares. The charter as amended will provide that additional series of the proposed new Cumulative Preferred Stock may not be issued without the approval of the holders of two-thirds of the series presently to be issued unless (a) earnings are at least equal to one and one-half times interest charges and Preferred Stock dividend requirements (including the requirements on the series then to be issued) or twice the Preferred Stock dividend requirements, whichever is greater; and (b) common capital and surplus must be at least equal to

the par value of the Preferred Stock outstanding and then to be issued.

Limitation on Unsecured Debt. The Preferred Stock certificate with respect to the proposed issue limits the amount of unsecured indebtedness which may be issued to $15,000,000 (including the presently outstanding serial notes) or to 10% of bonds, capital, and surplus, whichever is greater, unless a greater amount is authorized by the vote of the holders of at least two-thirds of the Cumulative Preferred Stock. Unless authorized by a similar vote, the amount of unsecured debt maturing in two years or less is to be limited to 10% of bonds, capital, and surplus, and no unsecured debt is to have a maturity of more than ten years.

[fol. 15111] Limitation on Common Stock Dividends. The certificate with respect to the proposed issue of Preferred Stock provides that unless authorized by a two-thirds vote of the holders of the Cumulative Preferred Stock, no dividends or other distribution on the common stock may be made unless after such dividend or distribution the total common capital and surplus will be at least equal to the par value of all outstanding shares of Cumulative Preferred Stock.

Voting Provisions. The Preferred Stock presently to be issued is to have no normal vote in the election of directors or for any other purpose except that whenever there may have been a default in the payment of a total of four quarterly dividends it is to have the right, as a class, to elect the smallest number constituting a majority of the board of directors and such right is to continue until all dividend arrearages have been paid. After the fourth quarterly default, the company will, at the request of any preferred stockholder, send notices to the stockholders entitled to vote, calling a stockholders' meeting for the purpose of electing a new board of directors. In addition, approval by the holders of two-thirds of the shares of any series of Cumulative Preferred Stock is to be necessary for any change in the certificate of incorporation or any other corporate action adversely affecting the rights, preferences, or powers of any such series; and the approval of

at least two-thirds of the then outstanding shares of Cumulative Preferred Stock is to be required for the authorization or creation of any additional class of stock ranking prior to or on a parity with such Cumulative Preferred Stock in respect of dividends or assets, or the authorization or creation of any stock or obligations convertible into or with the rights to purchase any such stock. Approval by two-thirds of the Cumulative Preferred Stock is also to be required for the sale, lease, transfer, or conveyance of all or a greater part of the property or business of the corporation, for its voluntary liquidation or dissolution, or for its merger or consolidation with any company other than Michigan Gas or Illinois Natural Gas, except where any such transaction has been approved by us pursuant to the Public Utility Holding Company Act.

Any new series of Cumulative Preferred Stock may have such additional voting rights as the board of directors may determine prior to its issuance except that no such stock shall have more than one vote per share in the election of directors.

Redemption Provisions. The Company may, at any time, redeem the whole or any part of the proposed issue of Preferred Stock at a price equal to the price at which such stock is initially offered by the underwriters to the public or sold by the Company to private purchasers, as the case may be, plus \$4 and accrued dividends.

Sinking Fund. The certificate relating to the Preferred Stock provides that the Company will set aside as a sinking fund on April 1, 1942 \$100,000 and on April 1 of each succeeding year (a) a "fixed sinking fund" sufficient to redeem at the sinking fund redemption price 1½% of the largest amount of such stock at any time outstanding and (b) a "contingent sinking fund" equal to the lesser of (1) a sum sufficient to redeem at the sinking fund redemption price 2% of the largest amount of such stock at any time outstanding or (2) a sum equal to the balance of earnings applicable to the contingent sinking fund after the payment of Preferred Stock dividends and after the payment of the fixed sinking fund, but before the payment of any

common stock dividends. The price at which stock may be redeemed through the sinking fund will be the price at which the stock is initially offered by underwriters to the [fol. 15112] public or sold by the Company to private purchasers, as the case may be, plus $1 and accrued dividends.

Assuming that the contingent sinking fund operates regularly all of the present issue of Preferred Stock will be retired within a period of 28 years.

Competitive Bidding

In compliance with Rule U-50, Panhandle Eastern proposes to make a public invitation for proposals for the purchase of the securities to be issued. According to the arrangement both individuals and groups may submit bids upon either the issue of bonds or the issue of preferred stock or both. A bidder for both issues must also submit a separate bid for each issue. Each bid must be accompanied by a deposit equal to 5% of the principal or par amount of the issue or issues for which it is made. A bidder for both issues need not make an additional deposit for the separate bids required. The company reserves the right to reject all bids but can accept only the bid or bids providing for the lowest annual money cost computed in accordance with a stated formula. The deposits of unsuccessful bidders will be returned.

The successful bidder will enter into a detailed purchase contract with the issuer. This contract is contingent, among other things, upon a favorable legal opinion by counsel selected by the issuer to represent prospective purchasers. The counsel selected by Panhandle Eastern for this purpose is the firm of Chadbourne, Hunt, Jaeckel and Brown of New York City. We raise no objection to the retention of this firm as counsel for the prospective buyers.

Since the price to be received for the bonds and preferred stock and the dividend rate on the stock will be determined by competitive bidding, these facts, together with amount

of underwriters' spread, will be filed with this Commission by a subsequent amendment. We shall consider the propriety of the price, the underwriters' spread and the allocation thereof when the necessary details are available. A further order will be entered as to these matters. Jurisdiction is reserved for this purpose.

Fees and Expenses.

Estimates of fees and expenses have been submitted by the applicants and declarants which, aside from the estimated legal fees included, do not appear to be unreasonable. The estimates of legal fees are $15,000 for independent counsel, comprising $8,500 for the bond issue and $6,500 for the preferred stock issue to be paid by the successful bidder or bidders, $25,000 to be incurred by Panhandle Eastern for its own counsel, $28,000 by Columbia Gas, and $7,195 (to date) for Columbia Oil. The independent counsel have submitted a memorandum explaining the basis for computing their fee and in view thereof and of the nature of the circumstances here present we do not find the amount unreasonable. Columbia Gas, Columbia Oil, and Panhandle Eastern have not submitted any breakdowns of their estimates so that we have been unable to pass upon the reasonableness of their estimated legal fees. We will, therefore, reserve jurisdiction to do so later and to make appropriate supplemental orders with respect thereto.

[fol. 15113]

Conclusions.

Panhandle Eastern is a non-utility company, and it appears that the issuance and sale here contemplated are solely for the purpose of financing its business. The issue and sale therefore fall within the provisions of Section 6 (b) of the Public Utility Holding Company Act and are exempt from the provisions of Section 6 (a) thereof, subject to such terms and conditions as may be appropriate in the public interest or for the protection of investors or consumers.

Since the company is engaged in the business of the production and transmission of natural gas and hence is

dependent upon a wasting asset, an all common-stock structure would seem to be preferable to that here contemplated. In view of the fact, however, that the ratios of debt and of debt and preferred stock to property are within reasonable limits and of the fact that the sinking fund provisions with respect to both the bonds and the new preferred stock of the company should, if earnings are adequate, result in the retirement of all such senior securities prior to the prospective exhaustion of its gas reserves, we deem it proper not to impose any term or condition with respect thereto.

Mokan has contended that the preferred stock to be issued should be given normal voting rights in the election of directors and in all other corporate matters. In view of the provision made for the election of a majority of the directors by the preferred stock after four quarterly defaults and the requirement of an approval by at least two-thirds of the preferred stock of any corporate action of the types most likely adversely to affect its rights and preferences, we do not think it necessary to impose any further conditions with respect to the voting rights to be conferred upon the stock. We have not ignored, in this connection, the problems raised by the presence in the corporate structure of the outstanding Class B stock. The right of this stock, representing an investment of $1,000,000, to elect two directors would seem prima facie to raise serious issues with respect to the existence of an equitable distribution of voting power in the corporation, insofar as such rights are attached to the stock. It was for these reasons that proceedings under Section 11 (b) (2) have been brought with respect to such stock. These proceedings form part of the pending consolidated proceeding and, in view of the connection of this question to the issues herein, hearings will be held with respect thereto and a determination made, with all possible speed.

We conclude that, as has been indicated, the purposes to be effected by the issue and sale are clearly in the public interest and that the proposed transactions, viewed either separately or as an entirety, will not be detrimental to the public interest or the interest of investors and consumers.

We will, therefore, grant the applications and permit the declarations to become effective subject, however, to the conditions previously mentioned, to the terms and conditions prescribed in Rule U-24 and to the following further condition that Panhandle Eastern report to the Commission the results of the competitive bidding, as required by Rule U-50 (c), and comply with such supplemental order as the Commission may enter in view of the facts disclosed thereby.

An appropriate order will issue.

By the Commission, (Chairman Purcell, and Commissioners Healy, Eicher, Pike, and Burke).

(Seal) FRANCIS P. BRASSOR,
Secretary.

January 21, 1942.

[fol. 15114] United States of America

Before the Securities and Exchange Commission

At a regular session of the Securities and Exchange Commission, held at its office in the City of Washington, D. C., on the 21st day of January, A. D., 1942.

In the Matter of

Columbia Gas & Electric Corporation, Columbia Oil & Gasoline Corporation, Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation, Indiana Gas Distribution Corporation, the Ohio Fuel Gas Company.

Order

File Nos. 59-33, 70-263, 70-371, 70-387, 70-430, 70-431.

(Public Utility Holding Company Act of 1935.)

The above-named parties having filed applications or declarations pursuant to Sections 6, 7, 9, 10, 12 (c) and 12

(f) of the Public Utility Holding Company Act of 1935 and rules and regulations thereunder with respect to the following transactions:

(1) The disposition by Columbia Oil & Gasoline Corporation to Panhandle Eastern Pipe Line Company and the acquisition by the latter of the Class A preferred stock of Panhandle Eastern Pipe Line Company in the par value of $10,000,000;

(2) The sale by Columbia Gas & Electric Corporation to Panhandle Eastern Pipe Line Company and the acquisition by the latter of the stock and debt of Michigan Gas Transmission Corporation and of Indiana Gas Distribution Corporation at the alleged investment cost of those companies to Columbia Gas & Electric Corporation plus undistributed surpluses at the date of the transaction, such prices being, as of September 30, 1941, $10,780,840.59 for Michigan Gas Transmission Corporation, and $153,698.20 for Indiana Gas Distribution Corporation; and the sale by The Ohio Fuel Gas Company, a subsidiary of Columbia Gas & Electric Corporation, to Panhandle Eastern Pipe Line Company and the acquisition by the latter of certain pipe lines and other properties owned by The Ohio Fuel Gas Company in the states of Indiana and Ohio at a price of $439,-326.08, which is based on the amount received for the sale of similar property to a non-associated purchaser;

(3) The disposition by Columbia Gas & Electric Corporation to Columbia Oil & Gasoline Corporation and the acquisition by the latter, at principal amount of $11,000,-000 face amount of debentures of Columbia Oil & Gasoline Corporation held by Columbia Gas & Electric Corporation;

(4) The issue and sale by Panhandle Eastern Pipe Line Company of First Mortgage 3% Bonds in the principal amount of $10,000,000 and of Cumulative Preferred Stock having a par value of $15,000,000 to obtain the funds [fol. 15115] necessary to carry out the transactions described in paragraphs (1) and (2) above as well as for certain additional construction. The issuer will publicly

invite proposals for the purchase of these securities pursuant to Rule U-50; and

The Commission by its order dated November 14, 1941 having consolidated said applications or declarations with a pending consolidated proceeding and having directed that hearings be held with respect to said applications or declarations prior to the continuance of hearings with respect to the remainder of the said consolidated proceeding; and

The hearing with respect to the said applications or declarations having been held and completed after appropriate notice to all persons interested therein; and arguments and briefs having been waived by all persons interested in the proceedings; and the Commission having considered the record of the proceedings and having entered its findings and opinion herein;

It Is Hereby Ordered that the aforesaid declarations be and hereby are permitted to become effective forthwith and the aforesaid applications be and hereby are granted forthwith subject, however, to the terms and conditions prescribed in Rule U-24 and to the following further terms and conditions:

(1) That there be excluded from the price to be paid by Panhandle Eastern Pipe Line Company to Columbia Gas & Electric Corporation for the stock and debt of Michigan Gas Transmission Corporation the undepreciated portion of the item of $139,424 representing the fee paid by the Michigan Gas Transmission Corporation to The Columbia Gas Construction Company;

(2) That Panhandle Eastern Pipe Line Company report to the Commission the results of the competitive bidding as required by Rule U-50 (c) and comply with such supplemental order as the Commission may enter in view of the facts disclosed thereby.

Jurisdiction is hereby reserved to pass upon the facts disclosed by the report of Panhandle Eastern Pipe Line Company to the Commission with respect to the results

of the competitive bidding as required by Rule U-50 (c) and for the issuance of a supplemental order with respect thereto.

Jurisdiction is further reserved to pass upon the legal fees to be paid by Columbia Gas & Electric Corporation, Columbia Oil & Gasoline Corporation and Panhandle Eastern Pipe Line Company in connection with the above-mentioned transactions, and for the issuance of appropriate supplemental orders with respect thereto.

By the Commission.

(Seal) FRANCIS P. BRASSOR,
Secretary.

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* * * * * * * *

[fol. 15117] Exhibit 149

Panhandle Eastern Pipe Line Company
Statement Showing Investment Made by the Owners
and Long-Term Creditors at June 30, 1941

Net Assets, Liabilities, etc

Plant Assets			
Gas Plant		$66,689,669.57	
Contributions in Aid of Construction		(41,346.91)	
Reserves for Depreciation and Depletion		(10,135,513.92)	
Net Investment in Gas Plant			$56,512,808.74
Other Investments			214,298.25
Other Assets, Liabilities, etc			
Current and Accrued Assets	$9,990,919.84		
Current and Accrued Liabilities	(5,149,111.73)	4,841,808.11	
Deferred Debits		2,763,002.03	
Deferred Credits		(43,333.69)	
Reserve for Uncollectible Accounts		(44,819.88)	
Reserve for Injuries and Damages		(93,123.74)	
Reserve for Contingencies		(624,800.94)	
Total Other Assets, Liabilities, etc.			6,798,731.89
Total			$63,525,838.88

Net Equities of Owners and Long-Term Creditors

Long-Term Debt			$23,267,543 80
Capital Stock			
Common Capital Stock	$20,184,175 00		
Preferred Capital Stock	11,000,000 00		
Total		31,184,175 00	
Earned Surplus		9,074,120 08	
Total Capital Stock and Surplus			$40,258,295 08
Total			$63,525,838 88

Table No. 1

Exhibit 150

FINANCIAL DATA ON COMMON STOCK ISSUES OF ELECTRIC AND GAS UTILITIES

YEARS 1935, 1936, 1937, 1938, 1939 AND 1940

Company	Common Stock Issue	Number of Shares	Approximate Offering Date	Price to Underwriters (a) Amount $	Price to Underwriters Cost %	Net Price to Company (b) Amount $	Net Price to Company Cost %	Price to Public Amount $	Price to Public Yield %	Market Price Range from Date of Issue to December 31, 1940 (f) Last $	High $	Low $
Boston Edison Co.	Common Stock $100 par (Now $25 par)	82,289	Dec. 4, 1935	(g)	-	150.07	-	150.93	-	33.50	36.63	30.75
Kansas Pipe Line & Gas Co.	Common Stock $5 par	110,000	Aug. 27, 1936	4.62	-	4.73	-	5.00	-	(h) 4.00	(h) 5.75	(h) 3.00
El Paso Natural GasCo.	" " $3 par (d)	60,000	Sept.10, 1936	19.00	-	(d)	-	20.00	-	30.00	42.75	14.50
Greenwich Gas Co.	" " No par	8,679	July 8, 1937	13.00	-	12.62	-	15.00	-	(h)11.00	(h)15.00	h)10.00
Indianapolis Power & Light Co.	" " No par (e)	68,855	Apr. 3, 1940	22.00		21.73	-	24.00	-	20.25	23.00	20.00
West Penn Power Co.	" " No par	160,000	Apr. 10, 1940	25.00	-	24.76	-	27.00	-	(h)25.13	26.75	24.75

Notes: (a) Gross proceeds to the company after underwriting commission but before other expenses.
(b) Net proceeds to the company after underwriting commission and other expenses.
(c) Obtained from sources which are generally accepted.
(d) Offered for account of others.
(e) New issue sold together with 645,980 shares sold by trustee of Utilities Power & Light Company.
(f) Selling price as of Dec. 31, 1940, or latest available date, unless otherwise noted.
(g) Offering purchased by stockholders, 77,529 shares at $150 per share, balance of 4,760 shares sold at public auction at $166 per share.
(h) Bid prices.

Source: "Security Issues of Electric and Gas Utilities, 1935-1940," a report of the Public Utilities Division, Securities and Exchange Commission.

Table No. 2

Exhibit 150

EARNINGS-PRICE RATIOS ON COMMON STOCK ISSUES OF ELECTRIC AND GAS UTILITIES

YEARS 1935, 1936, 1937, 1938, 1939 AND 1940

Company	Common Stock Par Value	Approximate Offering Date	Price to Public	Net Price to Seller	Earnings Per Share		Earnings-Price Ratio Based on:	
					(a) Year Ended	Amount	Price to Public	Net Price to Issuer
	$		$	$		$	%	%
Boston Edison Co.	100	Dec. 4, 1935	150.93	150.07	Oct. 31, 1935	9.57	6.34	6.38
Kansas Pipe Line & Gas Co.	5	Aug. 27, 1936	5.00	4.73	(b)	-	-	-
El Paso Natural Gas Co.	3	Sept. 10, 1936	20.00	19.00	June 30, 1936	1.84	9.20	9.68
Greenwich Gas Co.	No par	July 8, 1937	15.00	12.82	Dec. 31, 1936	.72	4.80	5.62
Indianapolis Power & Light Co.	No par	Apr. 3, 1940	24.00	21.73	Dec. 31, 1939	2.05	8.54	9.43
West Penn Power Co.	No par	Apr. 10, 1940	27.00	24.76	Dec. 31, 1939	1.70	6.30	6.87

Notes: (a) Latest year, results for which were available to the public before the approximate offering date.

(b) Prospectus for this issue dated August 24, 1936 (issued as of July 19, 1936) stated "No statements of income and surplus accounts of the company for any period prior to March 31, 1936 are included in this registration statement for the reason that the operating revenues of the company in prior periods have been derived from the operation of properties which, to a large extent, are not among the issuer's assets at March 31, 1936 and operating expenses, maintenance, taxes and income deductions for prior periods are almost wholly irrelevant to the property as constituted" at March 31, 1936.

Source: Computed by Standard & Poor's Corp. from data contained in Table No. 1, using earnings data as published in Standard Corporation Records, Daily News Section.

Table No. 3

Exhibit 150

(b) FINANCIAL DATA ON COMMON STOCK ISSUES OF UTILITY COMPANIES FOR THE INTERIM PERIOD OF 1941, JANUARY-AUGUST, BOTH INCLUSIVE

Company	Stock Issue	Number of Shares	Approximate Offering Date	Price to Public $	Price to Underwriters $	Net Price to Seller $
Connecticut Light & Power Co.	Common No Par	701,253	Apr. 9, 1941	42.50	39.50	(a)
Indianapolis Water Co.	Class A Common $10.50 par	225,000	July 9, 1941	13.75	12.50	(a)
San Diego Gas & Electric Co.	Common $10 par	590,527	July 9, 1941	14.375	13.427	(a)

Note: (a) Data not available in Standard & Poor's Corp. files.
(b) Does not include offering of stock on rights to stockholders since prices paid in such cases must necessarily be lower than market prices in order to make financing successful.

Source: Prospectuses and Standard Corporation Records.

Table No. 4

Exhibit 150

(b) EARNINGS-PRICE RATIOS ON COMMON STOCK ISSUES OF UTILITY COMPANIES

FOR THE INTERIM PERIOD OF 1941, JANUARY-AUGUST, BOTH INCLUSIVE

Company	Common Stock Par Value $	Approximate Offering Date	Price to Public $	(c) Price to Underwriters $	Earnings Per Share (a) Year Ended	Earnings Per Share Amount $	Earnings-Price Ratio Based on: Price to Public %	Earnings-Price Ratio Based on: (c) Price to Underwriters
Connecticut Light & Power Co.	No par	Apr. 3, 1941	42.50	39.50	Mar. 31, 1941	3.46	8.14	8.76
Indianapolis Water Co.	10.50	July 9, 1941	13.75	12.50	May 31, 1941	1.30	9.45	10.40
San Diego Gas & Electric Co.	10.00	July 9, 1941	14.375	13.427	Apr. 30, 1941	1.80	12.52	13.41

Notes: (a) Latest year, results for which were available to the public before the approximate offering date.

(b) Does not include offering of stock on rights to stockholders since prices paid in such cases must necessarily be lower than market prices in order to make financing successful.

(c) Since the "net price to seller" was not available, these figures represent the "net price to the underwriters" and are subject to the expenses of financing borne by the seller.

Source: Computed by Standard & Poor's Corp. from data contained in Table No. 3, using earnings data as published in Standard Corporation Records - Daily News Section.

15121

Exhibit 151

(a) EARNINGS-PRICE RATIOS OF COMMON STOCKS IN VARIOUS DIVISIONS OF THE UTILITY BUSINESS

	1937 %	1938 %	1939 %	1940 %	Four Year Average 1937-1940 %	Interim Period Jan.-Aug. 1941 %
Water Companies	6.25	6.17	7.02	6.54	6.50	6.97
Electric Utility Operating Companies	6.88	7.56	7.09	7.42	7.24	8.30
Manufactured and Mixed Gas Companies	7.87	9.50	8.69	9.12	8.85	10.46
All Natural Gas Companies	10.77	11.72	11.98	13.86	12.06	13.14
Natural Gas Pipe Line Companies	13.51	13.45	13.28	13.82	13.52	12.99
Panhandle Eastern Pipe Line Company	*	*	9.61	13.55	≠ 11.58	11.53

Notes: * Data for the Panhandle Eastern Pipe Line Company cannot be computed for these years since no part of the common stock was outstanding in the hands of the public.

≠ Average for two years, 1939 and 1940.

(a) Excluding data for companies that did not report earnings available for common stock in all periods studied.

Table 1.

Exhibit 151

EARNINGS-PRICE RATIOS ON WATER COMPANY COMMON STOCKS

1937 - 1940

	Earnings Per Share				Average of High and Low Market Prices				Earnings-Price Ratios			
	1937 $	1938 $	1939 $	1940 $	1937 $	1938 $	1939 $	1940 $	1937 %	1938 %	1939 %	1940 %
Bridgeport Hydraulic Co.	2.06	1.70	1.88	1.77	35.75	41.00	35.88	35.75	5.76	4.15	5.24	4.95
Elizabethtown Water Co. Consol.	7.03	7.06	8.06	8.99	98.50	90.00	104.50	112.00	7.14	7.83	7.71	8.03
Hackensack Water Co.	2.70	2.21	3.50	2.81	28.94	27.00	30.63	31.75	9.33	8.19	11.43	8.85
Middlesex Water Co.	3.45	2.39	3.61	4.09	55.00	35.50	42.00	48.25	6.27	6.73	8.60	8.48
New Haven Water Co.	3.79	3.33	3.82	4.21	79.50	71.25	69.75	78.50	4.77	4.67	5.48	5.36
Plainfield-Union Water Co.	5.14	5.01	5.34	4.90	90.00	77.00	88.00	87.25	5.71	6.51	6.07	5.62
Stamford Water Co.	8.26	1.77	1.91	1.85	172.50	34.75	41.50	41.00	4.79	5.09	4.60	4.51
Average									6.25	6.17	7.02	6.54

Source: See Table 4-A.

Table 1-A

Exhibit 151

EARNINGS-PRICE RATIOS ON WATER COMPANY COMMON STOCKS

FOR THE INTERIM PERIOD OF 1941, JANUARY-AUGUST, BOTH INCLUSIVE

	Earnings Per Share: Period	Earnings Per Share: Amount $	Average of High and Low Market Prices Jan. 1-Aug.31,1941 $	Earnings-Price Ratio %
Bridgeport Hydraulic Co.	12 Months Ended Dec. 31, 1940	1.77	33.50	5.28
Elizabethtown Water Co. Consolidated	" " " " " "	8.99	109.50	8.21
Hackensack Water Co.	" " " " " "	2.81	30.50	9.21
Middlesex Water Company	" " " June 30, 1941	4.87	48.50	10.04
New Haven Water Company	" " " Dec. 31, 1940	4.21	72.25	5.83
Plainfield-Union Water Co.	" " " June 30, 1941	4.87	83.50	5.83
Stamford Water Co.	" " " Dec. 31, 1940	1.85	42.25	4.38
Average				6.97

Source: See Table 4-A

Exhibit 151

EARNINGS-PRICE RATIOS ON ELECTRIC UTILITY OPERATING COMPANY COMMON STOCKS

1937 - 1940

	Earnings Per Share				Average of High and Low Market Prices				Earnings-Price Ratios			
	1937 $	1938 $	1939 $	1940 $	1937 $	1938 $	1939 $	1940 $	1937 %	1938 %	1939 %	1940 %
Bangor Hydro-Electric Co.	1.73	1.81	1.69	1.92	20.63	18.88	21.00	20.25	8.39	9.59	8.05	9.48
Boston Edison Co.	8.72	8.38	8.86	2.39	137.50	121.00	143.38	33.75	6.34	6.93	6.18	7.08
Central Hudson Gas & Elec. Co.	0.95	0.85	0.88	0.87	15.38	12.50	14.25	14.88	6.18	6.80	6.18	5.85
Cleveland Elec. Illum. Co.	2.56	2.44	2.66	3.08	39.38	34.88	39.38	40.25	6.50	7.00	6.75	7.65
Commonwealth Edison Co.	2.08	2.37	2.43	2.32	26.88	25.06	28.88	29.44	7.74	9.46	8.41	7.88
Connecticut Power Co.	2.69	2.49	2.77	2.71	48.00	43.00	48.25	48.25	5.60	5.79	5.74	5.62
Consol. Edison Co. of N.Y.	2.17	2.09	2.22	2.23	35.50	25.63	31.00	27.13	6.11	8.15	7.16	8.22
Consol. Gas Elec. Light & Power Co. of Balt.	4.63	4.06	4.94	4.41	74.75	64.50	77.63	74.56	6.19	6.29	6.36	5.91
Detroit Edison Co.	7.35	6.19	7.59	8.45	117.56	95.56	114.25	111.81	6.68	6.48	6.64	7.56
Duke Power Co.	4.59	4.23	5.56	5.92	65.50	60.88	70.13	71.81	7.01	6.95	7.93	8.24
Hartford Electric Light Co.	3.21	2.94	3.31	3.38	60.25	57.00	65.25	66.25	5.33	5.16	5.07	5.10
Pacific Gas & Electric Co.	2.71	2.48	2.84	2.68	30.00	26.38	31.13	29.94	9.03	9.40	9.12	8.95
Penna. Water & Power Co.	5.00	5.55	4.81	4.67	78.50	67.25	75.50	62.88	6.37	8.25	6.37	7.43
Southern Calif. Edison Co., Ltd.	2.18	2.10	2.36	2.27	24.88	22.13	26.19	26.88	8.76	9.49	9.01	8.44
Tampa Electric Co.	2.33	2.39	2.41	2.35	33.13	31.44	32.50	29.88	7.03	7.60	7.42	7.86
Average									6.88	7.56	7.09	7.42

Source: See Table 4-A.

Table 2-A

Exhibit 151

EARNINGS-PRICE RATIOS ON ELECTRIC UTILITY OPERATING COMPANY COMMON STOCKS

FOR THE INTERIM PERIOD OF 1941, JANUARY-AUGUST, BOTH INCLUSIVE

	Earnings Per Share Period	Earnings Per Share Amount $	Average of High and Low Market Prices Jan. 1-Aug.31,1941 $	Earnings-Price Ratio %
Bangor Hydro-Electric Co.	12 Months Ended Aug. 31, 1941	2.01	20.31	9.90
Boston Edison Co.	" " " June 30, 1941	2.38	30.69	7.75
Central Hudson Gas & Electric Co.	" " " June 30, 1941	0.74	11.00	6.73
Cleveland Electric Illum. Co.	" " " June 30, 1941	3.19	38.00	8.39
Commonwealth Edison Co.	" " " June 30, 1941	2.38	27.19	8.75
Connecticut Power Co.	" " " Dec. 31, 1940	2.71	45.88	5.91
Consol. Edison Co. of N.Y.	" " " June 30, 1941	2.06	20.31	10.14
Consol. Gas Elec. Light & Power Co. of Balt.	" " " June 30, 1941	4.18	64.38	6.49
Detroit Edison Co.	" " " July 31, 1941	1.84	21.50	8.56
Duke Power Co.	" " " Dec. 31, 1940	5.92	74.50	7.95
Hartford Electric Light Co.	" " " Dec. 31, 1940	3.38	58.62	5.77
Pacific Gas & Electric Co.	" " " June 30, 1941	2.45	25.56	9.59
Penna. Water & Power Co.	" " " June 30, 1941	4.67	53.81	8.68
Southern Calif. Edison Co., Ltd.	" " " June 30, 1941	2.30	25.25	9.11
Tampa Electric Co.	" " " July 31, 1941	2.40	22.38	10.72
Average				8.30

Source: See Table 4-A.

15126

Table 3

Exhibit 151

EARNINGS-PRICE RATIOS ON MANUFACTURED AND MIXED GAS COMPANY COMMON STOCKS

1937 - 1940

	Earnings Per Share				Average of High and Low Market Prices				Earnings-Price Ratios			
	1937 $	1938 $	1939 $	1940 $	1937 $	1938 $	1939 $	1940 $	1937 %	1938 %	1939 %	1940 %
Bridgeport Gas Light Co.	2.16	2.10	2.19	2.21	33.63	29.00	34.50	36.00	6.42	7.24	6.35	6.14
Brooklyn Union Gas Co.	2.57	2.25	2.42	2.42	34.13	16.75	21.88	19.13	7.53	13.43	11.06	12.65
Elizabethtown Consol. Gas Co.	15.25	14.71	15.48	14.16	207.50	192.50	202.50	212.63	7.35	7.64	7.64	6.66
Hartford Gas Co.	2.22	2.05	2.18	2.44	30.50	28.00	33.50	34.00	7.28	7.32	6.51	7.18
Laclede Gas Light Co.	(.01)	(3.28)	(2.43)	0.93	16.94	13.00	10.25	6.75	(a)	(a)	(a)	13.78
Peoples Gas Light & Coke Co.	3.65	2.97	4.13	4.63	43.75	32.06	37.75	33.00	8.34	9.26	10.94	14.03
Providence Gas Co.	0.75	0.61	0.69	0.70	9.50	6.88	7.69	9.00	7.89	8.87	8.97	7.78
Seattle Gas Co.	(18.16)	(18.37)	(10.94)	(11.48)	1.69	0.75	0.31	0.38	(a)	(a)	(a)	(a)
Springfield Gas Light Co.	1.10	1.07	1.28	1.17	10.50	8.50	11.75	14.25	10.48	12.59	10.89	8.21
Washington Gas Light Co.	1.81	2.24	2.52	2.52	23.50	23.19	28.75	24.37	7.70	9.66	8.77	10.34
Average of all Earnings-Price Ratios									7.87	9.50	8.89	9.64
Average (Excluding companies that did not achieve profits in all periods, namely, Laclede Gas Light Co. and Seattle Gas Co.)									7.87	9.50	8.89	9.12

Notes: (a) Earnings-Price Ratios on common stock were not computed owing to the fact that earnings were not sufficient to cover fully the requirements of senior capital.

Parentheses indicate red figures.

Source: See Table 4-A.

15127

Table 3-A

Exhibit 151

EARNINGS-PRICE RATIOS ON MANUFACTURED AND MIXED GAS COMPANY COMMON STOCKS

FOR THE INTERIM PERIOD OF 1941, JANUARY-AUGUST, BOTH INCLUSIVE

	Earnings Per Share		Average of High and Low Market Prices Jan. 1-Aug.31, 1941	Earnings-Price Ratio
	Period	Amount $	$	%
Bridgeport Gas Light Co.	12 Months Ended Dec. 31, 1940	2.21	29.00	7.62
Brooklyn Union Gas Co.	" " " June 30, 1941	2.29	12.06	18.99
Elizabethtown Consol. Gas Co.	" " " Dec. 31, 1940	14.16	192.50	7.36
Hartford Gas Co.	" " " Dec. 31, 1940	2.44	31.00	7.87
Laclede Gas Light Co.	" " " June 30, 1941	3.43	11.75	29.19
Peoples Gas Light & Coke Co.	" " " June 30, 1941	5.65	44.19	12.79
Providence Gas Co.	" " " Dec. 31, 1940	0.70	8.19	8.55
Seattle Gas Co.	" " " June 30, 1941	(11.34)	0.15	(a)
Springfield Gas Light Co.	" " " Dec. 31, 1940	1.17	12.75	9.18
Washington Gas Light Co.	" " " Mar. 31, 1941	2.41	21.25	11.34
Average of all Earnings-Price Ratios				12.54
Average (Excluding companies that did not achieve profits in all periods, namely, Laclede Gas Light Co. and Seattle Gas Co.)				10.46

Notes: (a) Earnings-Price Ratio on common stock was not computed owing to the fact that earnings were not sufficient to cover fully the requirements of senior capital.

Parentheses indicate red figures.

Source: See Table 4-A.

15128

Table 4

Exhibit 151

EARNINGS-PRICE RATIOS ON NATURAL GAS COMPANY COMMON STOCKS

1937 - 1940

	Earnings Per Share				Average of High and Low Market Prices				Earnings-Price Ratios			
	1937	1938	1939	1940	1937	1938	1939	1940	1937	1938	1939	1940
	$	$	$	$	$	$	$	$	%	%	%	%
Consolidated Gas Utilities Corp. (a)	0.09	(0.47)	0.11	0.30	2.44	0.91	0.94	1.69	3.69	(f)	11.70	17.75
El Paso Natural Gas Co.	3.00	3.30	3.75	3.73	21.75	23.44	35.38	33.94	13.79	14.08	10.60	10.99
Houston Natural Gas Corp.	1.72	1.22	1.83	2.89	16.63	8.50	8.88	11.00	10.34	14.35	20.61	26.27
Interstate Natural Gas Co.	2.50	2.13	2.11	2.07	25.25	21.25	23.75	23.88	9.90	10.02	8.88	8.67
Lone Star Gas Corp.	1.14	0.88	0.98	1.17	9.75	8.56	8.81	9.19	11.69	10.28	11.12	12.73
Memphis Natural Gas Co.	0.78	(b)0.64	0.65	0.69	4.63	3.94	4.13	4.38	16.85	16.24	15.74	15.75
Montana-Dakota Utilities Co.	0.65	0.60	0.54	0.89	11.00	6.00	6.25	7.75	5.91	10.00	8.64	11.48
Mountain Fuel Supply Co.	0.33	0.38	0.45	0.47	8.38	5.44	4.75	5.69	3.94	6.99	9.47	8.26
National Fuel Gas Co.	0.96	0.84	0.95	1.12	15.75	13.06	12.63	11.56	6.10	6.43	7.52	9.69
Oklahoma Natural Gas Co. (c)	2.13	1.86	1.75	3.71	10.68	10.50	14.38	17.50	19.94	17.71	12.17	21.20
Pacific Lighting Corp.	4.10	4.18	3.60	3.13	44.25	37.69	45.94	41.50	9.27	11.09	7.84	7.54
Panhandle Eastern Pipe Line Co.	3.57	2.84	3.82	3.99	(d)	(d)	39.75	29.44	(d)	(d)	9.61	13.55
Southern Natural Gas Co.	2.01	1.49	2.55	3.17	(e)	(e)	11.81	15.75	(e)	(e)	21.59	20.13
Average of all Earnings-Price Ratios									10.13	11.72	11.98	14.15
Average (Excluding company that did not achieve profits in all periods, namely, Consolidated Gas Utilities Corp.)									10.72	11.72	11.98	13.86

Parentheses indicate red figures.

Notes:
(a) Earnings for Fiscal Years Ended Oct. 31, 1937-1940, Inclusive.
(b) Earnings for 1938 revised to give effect to compromise settlement under city-gate contract with Memphis Power and Light Co.
(c) Earnings for Fiscal Year Nov. 30 in 1937 and 1938 and Aug. 31 in 1939 and 1940.
(d) No stock held by Public prior to September, 1939.
(e) Prior to May, 1939 there were two classes of common outstanding, Class A and B. Earnings for full period based on 691,970 shares which were exchanged for former Class A and B shares.
(f) Earnings-Price Ratio on common stock was not computed owing to the fact that earnings were not sufficient to cover fully the requirements of senior capital.

Source: See Table 4-A.

Table 4-A

Exhibit 151

EARNINGS-PRICE RATIOS ON NATURAL GAS COMPANY COMMON STOCKS FOR THE INTERIM PERIOD OF 1941, JANUARY-AUGUST, BOTH INCLUSIVE

	Earnings Per Share			Average of High and Low Market Prices Jan. 1-Aug.31,1941	Earnings-Price Ratio
	Period		Amount $	$	%
Consolidated Gas Utilities Corp.	12 Months Ended	July 31, 1941	0.36	1.50	24.00
El Paso Natural Gas Co.	12 Months Ended	June 30, 1941	3.61	31.06	11.62
Houston Natural Gas Corp.	Calendar Year Ended	Dec. 31, 1940	2.89	12.00	24.08
Interstate Natural Gas Co.	" " "	" " "	2.07	22.00	9.41
Lone Star Gas Corp.	12 Months Ended	June 30, 1941	1.24	9.25	13.41
Memphis Natural Gas Co.	Calendar Year Ended	Dec. 31, 1940	0.69	4.57	15.10
Montana-Dakota Utilities Co.	12 Months Ended	June 30, 1941	0.89(a)	9.69	9.18
Mountain Fuel Supply Co.	Calendar Year Ended	Dec. 31, 1940	0.47	5.56	8.45
National Fuel Gas Co.	12 Months Ended	Dec. 31, 1940	1.12	10.62	10.55
Oklahoma Natural Gas Co.	12 Months Ended	July 31, 1941	3.45	19.88	17.35
Pacific Lighting Corp.	12 Months Ended	June 30, 1941	3.51	36.25	9.68
Panhandle Eastern Pipe Line Co.	12 Months Ended	June 30, 1941	4.21	36.50	11.53
Southern Natural Gas Co.	12 Months Ended	June 30, 1941	2.04	11.81	17.27
Average of all Earnings-Price Ratios					13.97
Average (Excluding company that did not achieve profits in all periods, namely, Consolidated Gas Utilities Corp.)					13.14

Note: (a) Actual before taxes $1.19. Taxes estimated by Standard & Poor's Corporation at $200,000 or 30¢ per share.

Source: "Earnings per Share" were computed from data appearing in Appendix C, Volume II "Investors' Appraisal of the Risks of Capital in the Natural Gas Industry as Compared with other Divisions of the Utility Industry" identified as Exhibit 64. Where necessary to determine the amount of preferred dividends paid in any year, such data were obtained from annual reports of the various companies.
"Average of High and Low Market Prices" were taken from Appendix C, supra.
"Earnings-Price Ratios" were computed by Standard & Poor's Corporation.

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Exhibit 152

PANHANDLE EASTERN PIPE LINE COMPANY

ESTIMATE OF FEDERAL INCOME AND EXCESS-PROFITS TAXES, APPLYING RATES LEVIED IN THE REVENUE ACT OF 1941 TO NET INCOME FOR THE YEAR ENDED JUNE 30, 1941

Taxable Income Indicated by Tax Expense Reported for the Year Ended June 30, 1941

Federal Income Tax of $1,602,200 indicates, at the 1940 rate of 24%, a taxable income of		$6,675,800
Federal Excess-Profits Tax of $756,900 indicates, at 1940 rates, excess profits of		$1,605,800
Tax of $204,000 indicates profits of	$ 500,000	
Remaining 552,900 of tax was at 50%, indicating excess profits of	1,105,800	
Total tax of $756,900 indicates excess profits of	$1,605,800	

Taxes Computed at Rates Levied in the Revenue Act of 1941

Excess-Profits Tax					
Excess profits indicated by tax reported for year ended June 30, 1941		$1,605,800			
Add back: Normal Tax (not deductible under 1941 Act)		1,602,200			
Amount subject to Excess-Profits Tax		$3,208,000			
Tax on first	$ 500,000			$ 254,000	
Tax at 60% on remaining	2,708,000			1,624,800	
Total Excess-Profits Tax on		$3,208,000		$1,878,800	
As Adjusted					$1,878,000
Normal Tax and Surtax					
Taxable income indicated by tax reported for year ended June 30, 1941		$6,675,800			
Deduct: Excess-Profits Tax		1,878,800			
Amount subject to Normal Tax and Surtax		$4,797,000			
Normal Tax at 24%				$1,151,280	
Surtax:					
Tax at 6% on first	$ 25,000		$ 1,500		
Tax at 7% on remaining	4,772,000		334,040		
Total Surtax on		$4,797,000		335,540	
Total Normal Tax and Surtax				$1,486,820	
As Adjusted					1,485,000
Total Projected Normal Tax and Surtax and Excess-Profits Tax					$3,363,000

PANHANDLE EASTERN PIPE LINE COMPANY

SUMMARY OF INCREASES IN FEDERAL TAXES ON INCOME

FOR THE YEARS 1936 TO 1941, BOTH INCLUSIVE

	Normal Tax $	Normal Tax and Surtax $	Excess-Profits Tax $	Total $	Annual Increase %
Year Ended June 30, 1941 (recomputed by Standard & Poor's Corp. to give effect to rates levied in the Revenue Act of 1941)		1,485,000	1,878,000	* 3,363,000	68.4 (a) 42.6 (b)
Year Ended June 30, 1941 (as reported)	1,602,200		756,900	2,359,100	18.1
Calendar Year 1940	1,436,598		561,000	1,997,598	143.5
1939	820,286			820,286	59.8
1938	513,426			513,426	4.4
1937	492,000			492,000	13.9
1936	230,000			230,000	-

* Projected $4,399,000 ($3,363,000 plus 10%, or $336,000, plus $700,000 State, local and miscellaneous Federal).

Notes: (a) Increase over total reported for calendar year 1940.
(b) Increase over total reported for year ended June 30, 1941.

Source: Company's annual and interim reports.
Computations by Standard & Poor's Corporation.

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SUMMARY OF INCREASES IN FEDERAL TAXES ON CORPORATE INCOME

FOR THE YEARS 1936 TO 1941, BOTH INCLUSIVE

		Rates Levied				Federal Taxes on a Taxable Net Income of $6,700,000 (4) (5)					Annual Increase		
Taxable Year	Revenue Act of	Normal Tax	Surtax	Surtax on Undistributed Profits	Excess-Profits Tax	Normal Tax $	Surtax $	Surtax on Undistributed Profits $	Excess-Profits Tax $	Total Tax $	In Tax Rates (Normal & Surtax only)(7) %	In Estimated Total Tax %	Cumulative Increase in Estimated Total Tax %
1941	1941	24% (1)	6% of $25,000 7% of Balance	None	50.8% of $500,000 60% of Balance	1,158,240	337,570	None	1,374,000	3,369,810	29.2	42.9	284.0
1940	Second 1940	24% (1)	None	None	40.8% of $500,000 50% of Balance	1,608,000	None	None	750,000	2,358,000	26.3	79.3	198.8
1938 and 1939	1938	19% (2)	None	2 1/2%	None	1,273,000	None	41,875	None	1,314,875 (6)	26.7	10.8	110.8
1936 and 1937	1936	15% (3)	None	7 to 27%	None	1,003,840	None	182,550	None	1,186,390 (6)	-	-	100.0

Notes: (1) For corporations whose incomes are neither less than nor slightly in excess of $25,000.

(2) Subject to certain credits.

(3) Rate applicable to that portion of normal tax net income in excess of $40,000. Rates start at 8%.

(4) Omitting Declared Value Excess-Profits Tax.

(5) Assuming an excess profit of $3,200,000.

(6) Represents the maximum tax, assuming undistributed profits equal to 25% taxable net income.

(7) Gives no effect to Excess-Profits Tax and Surtax on Undistributed Profits, rates of which cannot be compared with Normal and Surtax rates.

Source: Compiled by Standard & Poor's Corp.

[fol. 15134] Morgenthau for 100% Tax on Corporate Gains Over 6%

Washington, Sept. 24—Secretary Morgenthau recommended today that all corporation profits over 6 per cent on invested capital be taxed away by the government for the period of the emergency, asserted that additional restrictions on bank credits might become necessary and opposed fixing by legislation of a price ceiling on wages.

Testifying before the House Banking and Currency Committee in endorsement of the Administration's Price Control Bill, the Secretary of the Treasury held up his concept of profit limitations as "something to shoot at" and gave it merely as a "rule of thumb" representing his own "sincere" conviction.

"In times like these when a corporation earns 6 per cent on its capital it ought to be satisfied," the Secretary said. "In times like these all the rest ought to be taken to pay for these unusual and fantastic figures that represent defense expenditures."

His suggestion for a 6 per cent limitation on profits was not mentioned in his prepared statement, but was offered in reply to a question from Representative Williams. Later, when Representative Dewey, a former Assistant Secretary of the Treasury, asked for specifications, the Secretary said:

"I was attempting to tell you how I felt, to give you a rule of thumb, but I knew when the tax experts got a hold of it the thing would be much more complicated. In these times, when we are asking young men to serve their country at a dollar a day, and give up what they're giving up, I don't think we're asking business to do any more than its share by giving up everything over 6 per cent."

Source: New York Times, Thursday, September 25, 1941, page 1.

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES

Particulars (A)	Amount (B)	P a y m	
		Date (C)	To Whom Paid (D)
Payments to agents for securing gas sale contract with Detroit City Gas Company (now Michigan Consolidated Gas Company).	$100 000 00	August 7, 1936 August 7, 1936	Frank P. Parish Dupuy G. Warrick
Payment for portion of change-over costs as provided in contract with Detroit City Gas Company (now Michigan Consolidated Gas Company) dated August 31, 1935 and contract with Michigan Gas Transmission Corporation dated March 17, 1936.	176 440 00	-	Detroit City Gas Company
Payment for portion of contribution for securing new househeating customers as provided in supplemental contract with Detroit City Gas Company (now Michigan Consolidated Gas Company) dated June 2, 1936 and supplemental contract with Michigan Gas Transmission Corporation dated June 2, 1936.	94 636 00	-	Detroit City Gas Company
Payment for expenses incurred by Michigan Gas Transmission Corporation in securing gas sale contract with Washtenaw Gas Company (now Michigan Consolidated Gas Company) dated April 20, 1937, which contract was assigned to Panhandle Eastern Pipe Line C-mpany on December 11, 1939.	12 875 58	December 11, 1939	Michigan Gas Transmission Corporatio
Payment for portion of change-over costs as provided in contract with Washtenaw Gas Company (now Michigan Consolidated Gas Company) dated April 20, 1937 and letter agreement with Michigan Gas Transmission Corporation dated December 11, 1939.	14 723 20	-	Michigan Consolidated Gas Company

EXHIBIT 153
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WITNESS WATKINS

DIARY COMPANIES

STATEMENT OF COST OF BUSINESS DEVELOPMENT
PERIOD FROM APRIL 1, 1932 TO JUNE 30, 1941

e	Payments — To Whom Paid (D)	Amount (E)	Method of Payment (F)
, 1936	Frank P. Parish	$ 87 500 00	Cash
, 1936	Dupuy G. Warrick	12 500 00	Cash
	Detroit City Gas Company	176 440 00	Through deductions from monthly gas bills during year 1937 at the rate of $14,703.33 per month.
	Detroit City Gas Company	94 636 00	Through deductions from gas bills as follows: July, 1937 $48 479 30 July, 1938 30 801 60 July, 1939 15 355 10
11, 1939	Michigan Gas Transmission Corporation	12 875 58	Cash
	Michigan Consolidated Gas Company	14 723 20	Through deductions from monthly gas bills, December 1939 to November 1940 inclusive, at the rate of $1,226.93 per month.

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES

Particulars (A)	Amount (B)	Paym Date (C)	To Whom Paid (D)
Payment for portion of contribution for securing new househeating customers as provided in supplemental contract with Washtenaw Gas Company (now Michigan Consolidated Gas Company) dated April 20, 1937 and letter agreement with Michigan Gas Transmission Corporation dated December 11, 1939.	$ 1 154 88	-	Michigan Consolidated Gas Company
Payment for portion of contribution toward cost of constructing a line extension to Ingram-Richardson Manufacturing Company, a customer of Public Service Company of Indiana, as provided in contract dated May 4, 1937.	11 323 32	August 16, 1937 November 12, 1940	Michigan Gas Transmission Corporati
Payment for portion of contribution toward cost of constructing a line extension to Ingersoll Steel and Disc Division, a customer of Public Service Company of Indiana, as provided in contract dated June 29, 1937.	3 080 00	-	Michigan Gas Transmission Corporati
Payment for portion of contribution toward cost of converting burner equipment of Sterling Glass Company, a customer of Central Indiana Gas Company, as provided in letters dated November 29, 1939 and December 15, 1939.	1 116 50	October 28, 1940	Michigan Gas Transmission Corporati
Payment for portion of contribution toward cost of constructing a line extension to Continental Steel Corporation, a customer of Kokomo Gas and Fuel Company, as provided in contract dated November 4, 1940.	10 449 51	March 24, 1941	Michigan Gas Transmission Corporati
Payment for portion of change-over costs of Public Service Company of Indiana, Northern Indiana Public Service Company and Kokomo Gas and Fuel Company, as provided in contract dated October 1, 1936.	73 047 98	February 10, 1938	Michigan Gas Transmission Corporati

*Denotes red figure.

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WITNESS WATKINS

UBSIDIARY COMPANIES

STATEMENT OF COST OF BUSINESS DEVELOPMENT
PERIOD FROM APRIL 1, 1932 TO JUNE 30, 1941

P a y	m e n	t s	
Date (C)	To Whom Paid (D)	Amount (E)	Method of Payment (F)
-	Michigan Consolidated Gas Company	$ 1 154 88	Through deduction from gas bill for month of September 1940.
st 16, 1937	Michigan Gas Transmission Corporation	13 860 00	Cash
nber 12, 1940		2 536 68*	Cash refund due to de- fiency in gas purchased.
-	Michigan Gas Transmission Corporation	3 080 00	Through deductions from monthly gas bills, November 1937 to July 1939, inclusive, based on therms delivered.
ber 28, 1940	Michigan Gas Transmission Corporation	1 116 50	Cash
n 24, 1941	Michigan Gas Transmission Corporation	10 449 51	Cash
ary 10, 1938	Michigan Gas Transmission Corporation	73 047 98	Cash

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES

STATEM
PERIOD

Particulars (A)	Amount (B)	Payme	
		Date (C)	To Whom Paid (D)
Payment for portion of change-over costs of Northern Indiana Public Service Company, as provided in contract dated October 1, 1936.	$ 2 961 50	November 30, 1938	Michigan Gas Transmission Corporation
Reimbursement for portion of costs of converting appliances and advertising of The Ohio Gas, Light and Coke Company, as provided in contract dated March 15, 1939 and letter agreement with Michigan Gas Transmission Corporation dated May 12, 1939.	4 672 75	July 25, 1939	Michigan Gas Transmission Corporation
Reimbursement for portion of costs of converting appliances of The Ohio Gas, Light and Coke Company in Napoleon, Ohio, as provided in contract dated March 15, 1939, letter dated June 14, 1939 and letter agreement with Michigan Gas Transmission Corporation dated May 12, 1939.	875 49	July 12, 1939	Michigan Gas Transmission Corporation
Reimbursement for portion of certain advertising costs of The Toledo Edison Company, as provided in contract dated December 22, 1939 and letter agreement with Michigan Gas Transmission Corporation dated December 22, 1939.	2 156 00	October 28, 1940	Michigan Gas Transmission Corporation
Payments made as a contribution to costs incident to changes and additions to facilities of Kentucky Natural Gas Corporation, as provided in contract dated June 17, 1938.	11 349 77	Various	Kentucky Natural Gas Corporation
Payments for securing of new househeating customers resulting from a business development campaign in the States of Missouri and Illinois during the years 1933, 1934 and 1935, as provided in letter agreements with Utilities dated June 27, 1933, August 24, 1933, October 23, 1933, May 16, 1934 and August 31, 1934.	33 130 00	Various	Missouri Utility Companies - Bowling Green Gas Company Citizens Gas Company of Hannibal Missouri Edison Company Missouri Power and Light Company Missouri Utilities Company Illinois Utility Companies - Central Illinois Electric and Gas Company Central Illinois Light Company Central Illinois Public Service Compan Illinois Power and Light Company, (now Illinois-Iowa Power Company)
Totals	$553 992 48		

EXHIBIT 13 15137
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WITNESS WATKINS

Y COMPANIES

STATEMENT OF COST OF BUSINESS DEVELOPMENT
PERIOD FROM APRIL 1, 1932 TO JUNE 30, 1941

Payments

	To Whom Paid (D)	Amount (E)	Method of Payment (F)
1938	Michigan Gas Transmission Corporation	$ 2 961 50	Cash
	Michigan Gas Transmission Corporation	4 672 75	Cash
	Michigan Gas Transmission Corporation	875 49	Cash
940	Michigan Gas Transmission Corporation	2 156 00	Cash
	Kentucky Natural Gas Corporation	11 349 77	Cash
	Missouri Utility Companies -		
	Bowling Green Gas Company	152 50	Cash
	Citizens Gas Company of Hannibal	651 00	Cash
	Missouri Edison Company	42 00	Cash
	Missouri Power and Light Company	4 930 50	Cash
	Missouri Utilities Company	1 314 00	Cash
	Illinois Utility Companies -		
	Central Illinois Electric and Gas Company	453 00	Cash
	Central Illinois Light Company	16 674 00	Cash
	Central Illinois Public Service Company	3 225 00	Cash
	Illinois Power and Light Company, (now Illinois-Iowa Power Company)	5 688 00	Cash
		$553,992 48	

* * * * * * * *

[fol. 15227] (Certificate to Exhibit 157-A, 157-B and 157-C.)

United States of America,
Securities and Exchange Commission.

I, Francis P. Brassor, Secretary of the Securities and Exchange Commission, Washington, D. C., which Commission was created by the Securities Exchange Act of 1934 (15 U.S.C.A., Sec. 78a et seq), and official custodian of the books and records of said Commission, and all books and records created or established by the Federal Trade Commission, pursuant to the provisions of the Securities Act of 1933 and transferred to this Commission in accordance with Section 210 of the Securities Exchange Act of 1934, do hereby certify that attached is a full, true and complete copy of:

Exhibit "H-6", "Agreement between Columbia Oil & Gasoline Corporation and Columbia Gas & Electric Corporation and Panhandle Eastern Pipe Line Company and Henry T. Bash and C. Ray Phillips as Receivers of Missouri-Kansas Pipe Line Company, dated as of June 1, 1936" and Exhibits A, B and C thereto, as contained in Exhibit "H-9", and Exhibit "I-2" to the registration statement filed with this Commission December 30, 1936 by Panhandle Eastern Pipe Line Company, pursuant to the provisions of the Securities Act of 1933 as amended, under File No. 2-2764, the above registration statement having been withdrawn upon request of the registrant, the Commission having consented to such withdrawal by order dated May 14, 1937.

In witness whereof I have hereunto subscribed my name and caused the seal of the Securities and Exchange Commission to be affixed this 2nd day of December, A. D., 1941, at Washington, D. C.

(Seal)

FRANCIS P. BRASSOR,
Secretary.

[fol. 15228] Exhibit 157-A.

Exhibit "H-6".

Agreement

Between

Panhandle Eastern Pipe Line Company

and

Columbia Gas & Electric Corporation

and

Columbia Oil & Gasoline Corporation

Dated January 31, 1936.

[fol. 15229] Agreement made this 31st day of January, 1936, between Panhandle Eastern Pipe Line Company (hereinafter referred to as Eastern), a corporation of the State of Delaware, party of the first part, Columbia Gas & Electric Corporation (hereinafter referred to as Columbia Gas), a corporation of the State of Delaware, party of the second part, and Columbia Oil & Gasoline Corporation (hereinafter referred to as Columbia Oil), a corporation of the State of Delaware, party of the third part.

Eastern has entered into a contract, dated the 31st day of August, 1935, with Detroit City Gas Company, whereby Eastern has contracted to supply the natural gas requirements of Detroit City Gas Company, up to the maximum amount therein specified, for the period set forth in said contract. A copy of said contract (hereinafter referred to as the Detroit Contract) is attached hereto as Exhibit A.

Section 7 of Article II of the Detroit Contract provides that it shall not become effective unless Eastern shall be able to arrange on or before February 1, 1936 for the financing of the construction of a pipe line connecting the eastern terminus of Eastern's existing pipe line at a point in Vermilion County, Indiana, adjacent to the Illinois-Indiana state line with the place of delivery specified in the Detroit Contract, as well as the reinforcement of the

present pipe line of Eastern, since the present pipe line of Eastern is inadequate to deliver the quantity of gas called for by the Detroit Contract. In reliance on the present contract, Eastern has notified Detroit City Gas Company that it has been able to so arrange. The new pipe line extension must be constructed and ready for the delivery of gas not earlier than July 1, 1936, and not later than September 1, 1936. The amount required by Eastern to increase its present pipe line capacity and for working capital is estimated to be approximately $8,600,000, of which it is estimated that approximately $4,000,000 will [fol. 15230] be required in the spring of 1936, and the remainder at some subsequent date or dates.

Indiana Gas Transmission Corporation (hereinafter referred to as Indiana), a Delaware corporation, is a subsidiary of Columbia Oil and owns a natural gas transmission pipe line extending from the eastern terminus of Eastern's existing pipe line across the State of Indiana to a connection with the pipe line of The Ohio Fuel Gas Company at King Measuring Station, near Muncie Indiana.

Michigan Gas Transmission Corporation (hereinafter called Michigan), a Delaware corporation, is a subsidiary of Columbia Gas, organized for the purpose of constructing a pipe line extending from a point on Indiana's pipe line near Zionsville, Indiana, to the place of delivery specified in the Detroit Contract.

Now, Therefore, in consideration of the mutual covenants and agreements herein set forth, the parties hereto, severally and not jointly, covenant and agree as follows:

1. Eastern agrees with the parties hereto as follows:

(a) That it will enter into a contract with Indiana for the delivery of gas through Indiana's pipe line to Michigan and will enter into a contract with Michigan for the delivery of gas by Michigan to Detroit City Gas Company, such contracts to contain such terms and provisions as shall insure the delivery to Detroit City Gas Company of natural gas in the quantities and upon the terms and conditions specified in the Detroit Contract; or, in case Michigan shall acquire said line of Indiana ex-

tending from the Illinois-Indiana state line to Zionsville, will enter into a contract with Michigan providing for the delivery of said gas by Eastern to Michigan at the Illinois-Indiana state line, without the intervention of Indiana, the terms of such single contract to have sub- [fol. 15231] stantially the same result to Eastern as the terms of the two contracts above referred to.

(b) That it will carry out all of the terms and provisions of said contracts or contract to the end that its obligations under the Detroit Contract may be fully performed.

(c) That it will apply the funds to be provided, as hereinafter stated, to increase the capacity of its existing main pipe line to the end that it shall be able to deliver to Indiana (or Michigan) at the Illinois-Indiana state line the quantities of natural gas at the times and at the pressure necessary to carry out the terms and provisions of its proposed contract with Indiana (or Michigan) referred to in Subdivision (a) of this Article 1 hereof.

(d) That it will offer pro rata to the holders of its Common Stock preemptive rights to subscribe to such number of shares of its Common Stock, at such price per share as will yield not less than $4,000,000, payable on or before April 1, 1930; and that it will sell to Columbia Oil, at such subscription price, all of the shares of Common Stock so offered to its other stockholders which shall not be subscribed for by them or by their assignees.

2. Columbia Gas agrees with the parties hereto as follows:

(a) That it will cause Michigan to enter into the proposed contract with Eastern referred to in Subdivision (a) of Article 1 hereof and will cause Michigan to carry out the terms and provisions thereof.

(b) That it will cause Michigan to construct a natural gas transmission pipe line from a point on Indiana's existing pipe line near Zionsville, Indiana, to the place [fol. 15232] of delivery specified in the Detroit Contract, said pipe line to be of a size, design and construction adequate to deliver at said place of delivery the maximum

amount of natural gas called for by the Detroit Contract, and that it will furnish the funds necessary to enable Michigan to finance the construction of said pipe line.

(c) That, to provide the additional sum of $4,600,000 required by Eastern for the further increase of its pipe line capacity, Columbia Gas will purchase from Eastern 6% Bonds of Series A under the Mortgage Trust Indenture of Eastern at par or, if the restrictions of said Mortgage Trust Indenture do not at the time permit this, will purchase Second Mortgage 6% Bonds of Eastern at par, which shall be exchangeable at the option of Columbia Gas into such Bonds of Series A when the restrictions of said Mortgage Trust Identure to permit such exchange can be met.

(d) That it will advance, on open account to Columbia Oil until funded by the agreement of the parties, the necessary funds required by Columbia Oil to carry out its obligations under this Agreement.

3. Columbia Oil agrees with the parties hereto as follows:

(a) That, upon the issuance by Eastern of rights to subscribe for shares of Common Stock of Eastern, as provided in Subdivision (d) of Article 1 of this Agreement, it will (1) immediately subscribe for its pro rata proportion of such shares, and (2) on April 2, 1936, will either (a) purchase such of the shares of Common Stock of Eastern so offered for subscripiton as shall not have been subscribed for by the stockholders of Eastern or their respective assignees or (b) if the time for the payment of such subscriptions shall have been extended by Eastern [fol. 15233] to a date later than April 1, 1936, advance to Eastern the amount that would be payable if all of the subscriptions to such shares of Common Stock which may be exercised later than April 1, 1936, had been exercised, the portion of such advance represented by the subscription rights later exercised to be repaid by Eastern, with interest at the rate of 6% per annum, upon the exercise of such subscription rights.

(b) That it will cause Indiana to enter into the proposed contract with Eastern ~~referred~~ to in Subdivision

(a) of Article 1 hereof, and will cause Indiana to carry out the terms and provisions thereof (unless Eastern shall elect to contract solely with Michigan as herein provided).

(c) That it will cause Indiana to make any necessary additions to or reinforcements of its existing pipe line necessary to enable Indiana to transport through said pipe line the maximum quantities of gas called for by the requirements of the proposed contract between Eastern and Indiana referred to in Subdivision (a) of Article 1 hereof, and that it will provide Indiana with the funds necessary therefor.

4. All of the parties hereto severally agree with each other as follows:

(a) The parties hereto recognize the possibility that the corporate relationships between the parties hereto, Indiana and Michigan, may be changed, through the acquisition by Columbia Gas or by Michigan of the stock or pipe line of Indiana or by the merger of Indiana and Michigan, or by a combination of the foregoing, or otherwise. In any such case, this Agreement and the contracts referred to in Subdivision (a) of Article 1 hereof shall be appropriately amended, provided that such amend- [fol. 15234] ments shall be such as to preserve the following basic principles:

(1) That Columbia Gas and Columbia Oil shall be responsible for their respective obligations with respect to the financing of the reinforcement of Eastern's existing pipe line as set forth in Subdivision (c) of Article 2 and in Subdivision (a) of Article 3 hereof;

(2) That Columbia Gas and Columbia Oil shall each be severally responsible for the financing of that portion, if any, of the pipe line from the Illinois-Indiana State line to the Place of Delivery specified in the Detroit Contract, which shall at the time in question be owned by their respective subsidiaries;

(3) That the operating contracts among the several pipe line companies (including Eastern) shall contain such terms and provisions as shall insure the delivery to De-

troit City Gas Company of natural gas in the quantities and upon the terms and conditions specified in the Detroit Contract; and

(4) That such operating contracts shall be as favorable to Eastern as the forms of contract referred to in Subdivision (a) of Article 1 hereof.

(b) That if, for any reason not involving a breach of the Detroit Contract by Eastern, Indiana or Michigan, the Detroit Contract shall fail to be performed, all the obligations of the parties hereto then unperformed shall become void and shall be of no further force or effect whatsoever.

(c) That this Agreement is subject to the securing of such consents to the taking of the action described hereunder from Federal and State authorities as may be necessary.

[fol. 15235] 5. Anything herein contained to the contrary notwithstanding, Eastern shall have the right provided for in clause (b) of Article V of the Stipulation accompanying the Decree of the United States District Court for the District of Delaware entered on January 29, 1936, in the cause entitled United States of America, Petitioner, against Columbia Gas & Electric Corporation, Columbia Oil & Gasoline Corporation, and others, Defendants, being cause No. 1099 in Equity, which Stipulation was entered in the United States District Court for the District of Delaware contemporaneously with said Decree and is hereafter referred to as the Stipulation, to arrange for the financing of its undertakings under the Detroit Contract otherwise than through the assistance of Columbia Oil and Columbia Gas which they have agreed to furnish under their agreements herein. It is therefore agreed by all parties hereto that Eastern shall have twenty days from the date of the curing of the default of its 6% Promissory Notes referred to in said clause of said Stipulation, or their retirement, in which to arrange for such financing from other sources. Eastern agrees that it will forthwith take the appropriate action necessary for such curing of default or retirement

of its Notes and that if, by the expiration of twenty days thereafter, it shall not have notified in writing Columbia Oil and Columbia Gas, by notice delivered to their respective New York City offices, that it has been able to arrange such financing from other sources, this Agreement shall be binding on Eastern and Columbia Oil and Columbia Gas according to its terms. Pending said period of twenty days, both Columbia Oil and Columbia Gas remain bound according to the terms hereof. In case Eastern shall be able to arrange said financing from other sources and shall so notify the other parties hereto, both Columbia Oil and Columbia Gas shall be freed of their obligations hereunder to provide such financing. Eastern agrees that it will submit any such alternative method of financing, before entering into it, to the Trustee appointed under said Decree for his approval and will not enter into it without his written approval.

[fol. 15236] In Witness Whereof, the parties hereto have caused this Agreement to be signed by their respective Presidents or Vice-Presidents thereunto duly authorized, and their respective corporate seals to be hereto affixed and attested by their respective Secretaries or Assistant Secretaries, the day and year first above written.

PANHANDLE EASTERN PIPE LINE COMPANY,

By Jas. L. Harrop,
Vice-President.

(Corporate Seal)

Attest:

Leith V. Watkins,
Secretary.

COLUMBIA GAS & ELECTRIC CORPORATION,

By E. Reynolds, Jr.,
Vice-President.

(Corporate Seal)

Attest:

H. H. Pell, Jr.,
Secretary.

COLUMBIA OIL & GASOLINE CORPORATION,
By Charles A. Munroe,
President.

(Corporate Seal)

Attest:

W. A. Blind,
Asst. Secretary.

(3468)

[fol. 15237] Exhibit 157-B.

Exhibit "H-9".

Agreement

Between

Columbia Oil & Gasoline Corporation

and

Columbia Gas & Electric Corporation

and

Panhandle Eastern Pipe Line Company

and

Henry T. Bush and C. Ray Phillips

As Receivers of Missouri-Kansas Pipe Line Company

Dated as of June 1, 1936

[fol. 15238] Agreement dated as of the 1st day of June, 1936, between Columbia Oil & Gasoline Corporation, a Delaware corporation (hereinafter called Columbia Oil), party of the first part, Columbia Gas & Electric Corporation, a Delaware corporation (hereinafter called Columbia Gas), party of the second part, Panhandle Eastern Pipe Line Company, a Delaware corporation (hereinafter

called Eastern), party of the third part, and Henry T. Bush and C. Ray Phillips, Receivers (hereinafter called the Receivers) of Missouri-Kansas Pipe Line Company, a Delaware corporation (hereinafter called Mo-Kan), appointed by the Court of Chancery of the State of Delaware, parties of the fourth part.

Whereas Columbia Oil and Columbia Gas made an offer to the Receivers, dated January 31, 1936, to settle certain claims between them, said offer as extended, supplemented and modified having been duly approved by the Court of Chancery of the State of Delaware by an order dated April 29, 1936 and accepted by the Receivers; and

Whereas Columbia Oil, Columbia Gas and the Receivers desire Eastern to take certain corporate action to carry out the terms of the aforementioned settlement; and

Whereas Eastern is willing for the consideration hereinafter mentioned to take the corporate action on its part necessary to carry out the aforementioned settlement; and

Whereas Columbia Oil, Mo-Kan and The National City Company have heretofore entered into an agreement dated the 17th day of September, 1930, and various agreements supplemental thereto bearing the dates September 19, 1930, September 30, 1930, October 8, 1930 and October 23, 1930, respectively; and

[fol. 15239] Whereas The National City Company has fully performed all of its obligations under the aforesaid agreement dated the 17th day of September, 1930 and the agreements supplemental thereto and has received full performance of all obligations due to it thereunder and has been dissolved; and

Whereas Columbia Oil, Columbia Gas, Eastern and the Receivers, acting in their capacity as Receivers and on behalf of Mo-Kan, are desirous of releasing, terminating, canceling, satisfying and discharging all rights, obligations and liabilities of whatsoever nature of Columbia Oil, Columbia Gas, Eastern, Mo-Kan and the Receivers, or any of them, with respect to, on account of, or in any way arising out of, appertaining to, or in connection with said Agreement, dated the 17th day of Sep-

tember, 1930 or any amendments thereof or supplements thereto; and

Whereas, in connection with the aforesaid agreement of September 17, 1930, Mo-Kan and Eastern entered into an agreement dated the 20th day of October, 1930; and

Whereas Eastern and the Receivers, acting in their capacity as Receivers and on behalf of Mo-Kan, are desirous of releasing, terminating, cancelling, satisfying and discharging all rights, obligations and liabilities of whatsoever nature of Eastern, Mo-Kan and the Receivers, or any of them, with respects to, on account of, or in any way arising out of, appertaining to or in connection with said agreement dated the 20th day of October, 1930;

Now, Therefore, the parties hereto, in consideration of the premises, of their mutual covenants and agreements herein contained, and of other good and valuable consideration, the receipt of which by each of the parties hereto from each of the others of the parties hereto is hereby acknowledged, have agreed and do hereby agree as follows:

[fol. 15240] I. Eastern agrees with the parties hereto as follows:

(a) That it will execute and deliver to Columbia Oil, Columbia Gas and the corporations and individuals or classes thereof referred to therein, a good and sufficient release, in the form attached hereto as Exhibit A.

(b) That it will execute and deliver to the Receivers and to Mo-Kan and its subsidiaries a ~~good and sufficient~~ release in the form attached hereto as Exhibit B.

(c) That it will cause its subsidiary Central Distributing Company to release the claim of such subsidiary in the amount of $2,704.31 filed in the Mo-Kan receivership, by the execution and delivery to the Receivers of a release of claim in the form attached hereto as Exhibit C.

(d) That, subject to action by its stockholders, it will amend its Certificate of Incorporation so as to authorize, in lieu of the 110,000 shares of Convertible Cumulative Preferred Stock now authorized, two classes of Preferred Stock, to be designated as Class A Preferred Stock and

Class B Preferred Stock and to have powers, preferences and rights, and qualifications, limitations and restrictions, respectively, as set forth in the form of Certificate of Amendment of Certificate of Incorporation attached hereto as Exhibit D.

(e) That it will amend its Mortgage Trust Indenture dated as of October 1, 1930 (as heretofore amended) so as to increase the sinking fund for the Bonds of Series A thereunder to an amount calculated, on a cumulative basis, to retire the principle amount of all of the Bonds of Series A by October 1, 1951, as set forth in the form of Third Supplemental Indenture attached hereto as Exhibit E.

[fol. 15241] (f) That it will fix the period within which the subscription rights now held by Panhandle Corporation to subscribe for 80,000 shares of the Common Stock of Eastern may be exercised, to and including the ninetieth day following the termination of the receivership of Mo-Kan, but in no case beyond January 1, 1937; provided, however, that, if prior to the exercise of said subscription rights it shall appear, either from an opinion of Eastern's counsel or from action by the Securities and Exchange Commission, that registration of said subscription rights or of the Common Stock of Eastern called for thereby under the Securities Act of 1933, as amended, is necessary, then and in that event Eastern will file a registration statement under said Act at Eastern's expense in respect of said rights or Common Stock, as the case may be, and will extend the period during which such subscription rights may be exercised to and including the 90th day following the effective date of said registration statement. That it will consent that such subscription rights owned by Panhandle will be assignable and will, on such reasonable notice as shall suffice for preparation and printing, issue transferable subscription warrants upon the request of the person or persons holding such subscription rights.

II. Columbia Oil agrees with the parties hereto as follows:

(a) That, in the event Eastern elects to redeem at any time part of its Class A Preferred Stock out of earnings,

it will waive the premium of $10 per share payable on the redemption of such shares of Class A Preferred Stock as may at the time be owned, held or controlled by it and be then called for redemption.

[fol. 15242] (b) That it will join with Columbia Gas in executing and delivering to Eastern and its subsidiary companies a good and sufficient release in the form attached hereto as Exhibit F.

III. Columbia Gas agrees with the parties hereto as follows:

(a) That in the event Eastern elects to redeem at any time part of its Class A Preferred Stock out of earnings, it will waive the premium of $10 per share payable on the redemption of such shares of Class A Preferred Stock, if any, as may at the time be owned, held or controlled by it and be then called for redemption.

(b) That it will join with Columbia Oil in executing and delivering to Eastern and its subsidiary companies a good and sufficient release in the form attached hereto as Exhibit F.

IV. The Receivers agree with the parties hereto that, in their capacity as Receivers and on behalf of Mo-Kan, they will execute and deliver to Columbia Oil, Columbia Gas, Eastern and the corporations or individuals or classes thereof referred to therein, a good and sufficient release, in the form attached hereto as Exhibit G, and will execute and deliver to Burt R. Bay Covenants Not to Sue in the forms attached hereto as Exhibits G-1 and G-2.

V. All of the parties hereto severally agree with each other as follows:

1. All rights, obligations and liabilities of whatsoever nature of Columbia Oil, Columbia Gas, Eastern, Mo-Kan, and the Receivers, and each of them, with respect to, on account of or in any way arising out of, appertaining to, or in connection with, said agreement dated the 17th day of September, 1930, or any amendments thereof or sup- [fol. 15243] plements thereto are hereby in all respects terminated, rescinded, canceled, satisfied and discharged.

2. Each of the parties hereto, namely Columbia Oil, Columbia Gas, Eastern and the Receivers, on behalf of themselves as Receivers and on behalf of Mo-Kan, has remised, released and forever discharged the others of said parties, and does by these presents for the respective heirs, administrators, executors, representatives, successors and assigns of said party or parties, remise, release and forever discharge the others of said parties, their respective heirs, administrators, executors, representatives, successors and assigns, of all and from all manner of action and actions, cause and causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and demands whatsoever, in law or in equity, or by force of any statute of the United States or any state thereof, which any one of said parties, their respective heirs, administrators, executors, representatives, successors or assigns may now have against any one or more of the other parties hereto, or their respective heirs, administrators, executors, representatives, successors or assigns, for, upon or by reason of any matter, cause or thing whatsoever with respect to, on account of, or in any way arising out of, appertaining to, or in connection with, said agreement dated the 17th day of September, 1930, or any amendments thereof or supplements thereto, or any thereof, or the execution of the same.

VI. Eastern and the Receivers in their capacity as Receivers and on behalf of Mo Kan agree with each other as follows:

[fol. 15244] 1. All rights, obligations and liabilities of whatsoever nature of Eastern, Mo-Kan, and the Receivers, and each of them, with respect to, on account of or in any way arising out of, appertaining to, or in connection with, said agreement dated the 20th day of October, 1930, are hereby in all respects terminated, rescinded, canceled, satisfied and discharged.

2. Each of said parties hereto, namely, Eastern and the Receivers, on behalf of themselves as Receivers and on behalf of Mo-Kan, has remised, released and forever discharged the others of said parties, and does by these

presents for the respective heirs, administrators, executors, representatives, successors and assigns of said party or parties, remise, release and forever discharge the others of said parties, their respective heirs, administrators, executors, representatives, successors and assigns, of all and from all manner of action and actions, cause and causes of action, suits, debts, dues, sums of money, accounts, reckoning, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and demands whatsoever, in law or in equity, or by force of any statute of the United States or any State thereof, which any one of said parties, their respective heirs, administrators, executors, representatives, successors or assigns may now have against any one or more of the other parties hereto, or their respective heirs, administrators, executors, representatives, successors or assigns, for, upon or by reason of any matter, cause or thing whatsoever with respect to, on account of or in any way arising out of, appertaining to, or in connection with, said Agreement dated the 20th day of October, 1930.

[fol. 15245] VII. The foregoing Articles V and VI are without prejudice to the right of any of the parties hereto to enter into any contract or contracts with any of the other parties hereto relative to the purchase and sale of gas, when duly authorized in the case of corporate parties by their respective Boards of Directors.

In Witness Whereof, Columbia Oil & Gasoline Corporation, Columbia Gas & Electric Corporation and Panhandle Eastern Pipe Line Company, have caused this Agreement to be duly signed by their respective Presidents or Vice-Presidents thereunto duly authorized and their respective corporate seals to be hereunto affixed and attested by their respective Secretaries or Assistant Secretaries and the Receivers of Missouri-Kansas Pipe Line Company have duly executed this Agreement all as of the day and year first above written.

COLUMBIA OIL & GASOLINE CORPORATION,
By Charles A. Munroe,
President.

(Corporate Seal)

Attest:
Conrad H. Lavin,
Assistant Secretary.

COLUMBIA GAS & ELECTRIC CORPORATION,
By E. Reynolds, Jr.,
President.

(Corporate Seal)

Attest:
H. H. Pell, Jr.,
Secretary.

[fol. 15246] PANHANDLE EASTERN PIPE LINE COMPANY,
By James L. Harrop,
Vice-President.

(Corporate Seal)

Attest:
Leith V. Watkins,
Secretary.

C. RAY PHILLIPS, (L. S.)
HENRY T. BUSH, (L. S.)
As Receivers of Missouri-Kansas Pipe Line Company.

[fol. 15247] State of New York,
County of New York,—ss.:

On the 5th day of June, in the year 1936, before me personally came Charles A. Munroe, to me known, who, being by me duly sworn, did depose and say that he resided in Chicago, Illinois; that he is the President of Columbia Oil & Gasoline Corporation, a corporation of the State of Delaware, one of the corporations described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

(Notarial Seal) FRANK A. MOYER,
Notary Public, Kings Co. N. Y.
Kings Co. Clk's No. 349, Reg. No. 8397.
N. Y. Co. Clk's No. 952, Reg. No. 8M607.
Commission expires March 30, 1938.

[fol. 15248] State of New York,
County of New York,—ss.:

On the 4th day of June, in the year 1936, before me personally came E. Reynolds, Jr., to me known, who, being by me duly sworn, did depose and say that he resided in Stamford, Connecticut; that he is the President of Columbia Gas & Electric Corporation, a corporation of the State of Delaware, one of the corporations described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

(Notarial Seal)

JOHN E. CLEARY,
Notary Public, Bronx County, N. Y.
Bronx Co. Clk's No. 42, Reg. No. 29C38
N. Y. Co. Clk's No. 398, Reg. No. 8C210
Commission Expires March 30, 1938.

[fol. 15249] State of New York,
County of New York,—ss.:

On the 5th day of June, in the year 1936, before me personally came James L. Harrop, to me known, who, being by me duly sworn, did depose and say that he resided in Maplewood, New Jersey; that he is a Vice-President of Panhandle Eastern Pipe Line Company, a corporation of the State of Delaware, one of the corporations described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

(Notarial Seal)

FRANK A. MOYER,
Notary Public, Kings Co. N. Y.
Kings Co. Clk's No. 349, Reg. No. 8397
N. Y. Co. Clk's No. 952, Reg. No. 8M607
Commission expires March 30, 1938.

[fol. 15250] State of Delaware,
County of New Castle,—ss.:

On this 5th day of June, 1936, before me personally came Henry T. Bush and C. Ray Phillips, to me known and

known to me to be the Receivers for Missouri-Kansas Pipe Line Company, a Delaware corporation, appointed by the Chancellor of the state of Delaware on March 18, 1932, and the individuals described in and who executed the foregoing instrument, and they duly acknowledged to me that they executed the same as such Receivers.

(Notarial Seal) C. C. FITZPATRICK,
Notary Public.

[fol. 15251] Exhibit A.

General Release.

Know All Men by These Presents, that for and in consideration of the sum of One hundred dollars ($100), lawful money of the United States of America, and other good and valuable consideration, to us in hand paid, the receipt whereof is hereby acknowledged, Panhandle Eastern Pipe Line Company, a Delaware corporation, for itself, its subsidiaries, successors and assigns, has remised, released and forever discharged and by these presents does remise, release and forever discharge Columbia Gas & Electric Corporation, a Delaware corporation, Columbia Oil & Gasoline Corporation, a Delaware corporation, and each of them and their respective successors and assigns, and their respective subsidiary corporations, and each of them, and the respective successors and assigns of said subsidiary corporations, and also each and every of such persons as are or have been the officers or directors, present or past, of said Columbia Gas & Electric Corporation, said Columbia Oil & Gasoline Corporation and of their respective subsidiary corporations, and their respective heirs, administrators, executors and assigns, of all and from all and all manner of action and actions, cause and causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and demands whatsoever, in law or in equity, or by force of any statute of the United States or any state thereof, which against them or any of them said Panhandle Eastern Pipe Line Company or its subsidiaries ever had, now has, or which it, its subsidiaries, successors or assigns, here-

after can, shall or may have, for, upon or by reason of [fol. 15252] any matter, cause or thing whatsoever from the beginning of the world to the day of the date of these presents, except such rights, if any, as said Panhandle Eastern Pipe Line Company may have under (a) the Agreement between Panhandle Eastern Pipe Line Company, Columbia Gas & Electric Corporation and Columbia Oil & Gasoline Corporation, dated January 31, 1936, (b) the Agreement between Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation, dated March 17, 1936, and (c) the Agreement between Columbia Oil & Gasoline Corporation, Columbia Gas & Electric Corporation, Panhandle Eastern Pipe Line Company and Henry T. Bush and C. Ray Phillips, as Receivers of Missouri-Kansas Pipe Line Company, dated as of June 1, 1936, and except such rights, if any, as Panhandle Eastern Pipe Line Company may have against said Michigan Gas Transmission Corporation arising out of current dealings between said Panhandle Eastern Pipe Line Company and said Michigan Gas Transmission Corporation.

In Witness Whereof, Panhandle Eastern Pipe Line Company has caused this instrument to be executed by its President or a Vice-President thereunto duly authorized, and its corporate seal to be hereto affixed and attested by its Secretary, this 3rd day of June, 1936, at New York, N. Y.

PANHANDLE EASTERN PIPE LINE COMPANY,

By ....,
Vice-President.

Attest:
Secretary.

[fol. 15253] State of New York,
County of New York, ss.:

On the 3rd day of June, in the year 1936, before me personally came James L. Harrop, to me known, who, being by me duly sworn, did depose and say that he resided in Maplewood, New Jersey; that he is a Vice-President of Panhandle Eastern Pipe Line Company, a corporation of the State of Delaware, the corporation de-

scribed in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

....

[fol. 15254] Exhibit B.

General Release to Receivers.

Know All Men by These Presents, that for and in consideration of the sum of One hundred dollars ($100), lawful money of the United States of America, and other good and valuable consideration, to us in hand paid, the receipt whereof is hereby acknowledged, Panhandle Eastern Pipe Line Company, a Delaware corporation, for itself, its subsidiaries, successors and assigns, has remised, released and forever discharged and by these presents does remise, release and forever discharge Missouri-Kansas Pipe Line Company, a Delaware corporation, and its subsidiaries, successors and assigns, and Henry T. Bush and C. Ray Phillips as Receivers for Missouri-Kansas Pipe Line Company, appointed by the Chancellor of the State of Delaware, on March 18, 1932, and Thurlow G. Essington, as Receiver for Missouri-Kansas Pipe Line Company, appointed by the District Court of the United States for the Northern District of Illinois, Eastern Division, on May 12, 1932, and their respective heirs, administrators, executors, successors and assigns, of all and from all and all manner of action and actions, cause and causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and demands whatsoever, in law or in equity, or by force of any statute of the United States or any state thereof, which against them or any of them said Panhandle Eastern Pipe Line Company or its subsidiaries ever had, now has, or which it, its subsidiaries, successors or assigns, hereafter can, shall or may have, for, upon or by reason of any matter, cause or

thing whatsoever from the beginning of the world to the day of the date of these presents, except such rights, if any, as Panhandle Eastern Pipe Line Company may have under the Agreement between Columbia Oil & Gasoline Corporation, Columbia Gas & Electric Corporation, Panhandle Eastern Pipe Line Company and Henry T. Bush [fol. 15255] and C. Ray Phillips, as Receivers of Missouri-Kansas Pipe Line Company, dated as of June 1, 1936.

In Witness Whereof, Panhandle Eastern Pipe Line Company has caused this instrument to be executed by its President or a Vice-President thereunto duly authorized, and its corporate seal to be hereto affixed and attested by its Secretary, this 3rd day of June, 1936, at New York, N. Y.

PANHANDLE EASTERN PIPE LINE COMPANY,

By ....

Vice-President.

Attest:

Secretary.

State of New York,
County of New York,—ss.:

On the 3rd day of June, in the year 1936, before me personally came James L. Harrop, to me known, who, being by me duly sworn, did depose and say that he resided in Maplewood, New Jersey; that he is a Vice-President of Panhandle Eastern Pipe Line Company, a corporation of the State of Delaware, the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

....

[fol. 15256] Exhibit C.

Release of Claim.

Know All Men by These Presents, that for and in consideration of the sum of One hundred dollars ($100), law-

ful money of the United States of America, and other good and valuable consideration, to us in hand paid, the receipt whereof is hereby acknowledged, Central Distributing Company, a Delaware corporation, for itself, its successors and assigns, has remised, released and forever discharged and by these presents does remise, release and forever discharge Missouri-Kansas Pipe Line Company, a Delaware corporation, and its subsidiaries, successors and assigns, and Henry T. Bush and C. Ray Phillips as Receivers of said Missouri-Kansas Pipe Line Company, and their respective heirs, administrators, executors, successors and assigns, of all and from all and all manner of action and actions, cause and causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and demands whatsoever, in law or in equity, or by force of any statute of the United States or any state thereof, which against them or any of them said Central Distributing Company ever had, now has, or which it, its successors or assigns, hereafter can, shall or may have, for, upon or by reason of a certain payment made by Central States Gas Utilities Company, an Illinois corporation, to the United States Government, in respect of taxes and interest assessed against said Missouri-Kansas Pipe Line Company or its subsidiaries for the year 1929, for which payment a claim has heretofore been filed in the amount of Two Thousand Seven Hundred and Four Dollars and Thirty One Cents ($2,704.31) in the receivership proceedings of said Missouri-Kansas Pipe Line Company.

[fol. 15257] In Witness Whereof, Central Distributing Company has caused this instrument to be executed by its President or a Vice-President thereunto duly authorized, and its corporate seal to be hereto affixed and attested by its Secretary, this 3rd day of June, 1936, at New York, N. Y.

CENTRAL DISTRIBUTING COMPANY,

By

Vice-President.

Attest:

Secretary.

State of New York,
County of New York,—ss.:

On the 3rd day of June, in the year 1936, before me personally came James L. Harrop, to me known, who, being by me duly sworn, did depose and say that he resided in Maplewood, New Jersey; that he is a Vice-President of Central Distributing Company, a corporation of the State of Delaware, the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

....

[fol. 15258] Exhibit 157-C.
Exhibit "I-2".

Columbia Oil & Gasoline Corporation
Sixty-One Broadway,
New York.

January 31, 1936.

Messrs. Henry T. Bush and C. Ray Phillips,
as Receivers of Missouri-Kansas Pipe Line Company,
Wilmington, Delaware.

Dear Sirs:

You are familiar with the relations which have heretofore existed between Missouri-Kansas Pipe Line Company, yourselves as Receivers thereof, Panhandle Eastern Pipe Line Company, Panhandle Corporation, Columbia Gas & Electric Corporation and the undersigned Columbia Oil & Gasoline Corporation, and particularly with the differences of opinion which have existed between the Missouri-Kansas interests on the one hand and the interests of Columbia Gas & Electric Corporation and the undersigned on the other with respect to the management and affairs of Panhandle Eastern Pipe Line Company. The principal

disagreement has arisen out of the problem of marketing Panhandle Eastern's available gas.

As the result of the contract dated August 31, 1935, between Panhandle Eastern Pipe Line Company and Detroit City Gas Company, under which Panhandle Eastern is afforded the opportunity to supply the City of Detroit with natural gas, the principal point of our controversy, namely, the marketing of Panhandle Eastern's gas, would seem to be removed inasmuch as this market should absorb all of the gas which we believe Panhandle Eastern can now safely contract to supply at such distance from its production area.

After a comprehensive study and extensive negotiations, we believe that, with this contract as a foundation, an opportunity is afforted to adjust the controversies heretofore existing between Missouri-Kansas interests and ours on terms we believe manifestly advantageous to your interests, and which at the same time would permit the financial rehabilitation of Panhandle Eastern and would materially strengthen the financial position of Missouri-Kansas.

We enclose a copy of the contract of August 31, 1935, between Panhandle Eastern and Detroit City Gas Company. You will observe this contract provides for the sale of gas by Panhandle Eastern to Detroit City Gas Company for a firm period of fifteen years on terms which we believe you will agree to be highly advantageous to Panhandle Eastern. The contract provides for delivery of natural gas at a point near the City of Detroit. Panhandle Eastern's pipe line system extends only to the Illinois-Indiana State line and its present capacity is not sufficient to transport the volume of gas that may be required under the Detroit Contract. It is estimated that the cost of the necessary increase in the capacity of the existing pipe line, with additional compressor stations and necessary equipment, will be approximately $8,600,000 and that the cost of building or acquiring an extension to Detroit will be approximately $8,300,000 more.

[fol. 15259] At the present time, as you know, the outstanding securities of Panhandle Eastern are held as follows:

Securities	Owned by Columbia Oil	Owned by Panhandle Corporation*
6% Mortgage Bonds	$18,200,000	—
6% Promissory Notes	4,945,500	$4,945,500
Common Stock	1,149 sh.	1,149 sh.

*At the present time Panhandle Corporation has outstanding $4,940,000 of Two-Year 6% Collateral Trust Notes (now in default as to principal and interest), which Notes are now held by others, and which are guaranteed as to principal and interest by Missouri-Kansas. Missouri-Kansas now owns 25% of the Common Stock of Panhandle Corporation, the remaining 75% of the Common Stock being owned by others; so that at the present time Missouri-Kansas' interest in Panhandle Corporation is the ownership of 25% of the Common Stock, the value of which is subject to the $4,940,000 defaulted Notes of Panhandle Corporation, which in turn are guaranteed by Missouri-Kansas.

The Panhandle Eastern Notes aggregating $9,891,000 have long been in default as to interest, which default entitles the holders of such Notes to call on the Trustee to accelerate their maturity and also constitutes an event of default under the mortgage securing the Bonds. Furthermore, the $4,945,500 of Panhandle Eastern Notes, as well as all the shares of Panhandle Eastern Common Stock, owned by Panhandle Corporation are now pledged to secure the $4,940,000 principal amount of defaulted Two-Year 6% Collateral Trust Notes issued by Panhandle Corporation mentioned above.

It would seem manifestly impracticable under present conditions for Panhandle Eastern to refund its present defaulted obligations, much less to finance the necessary capital expenditures amounting (exclusive of the investment in the extension to Detroit) to approximately $8,600,000 in new money, except through those already having a financial interest in its securities. Furthermore, such financing, even under favorable conditions, is costly. Under the proposal stated below, this financing would be done without cost to Panhandle Eastern or Missouri-

Kansas, the entire cost of financing being borne by Columbia Gas & Electric Corporation and ourselves.

Without prejudice either to the claims asserted in your suit against us or to our contention that such claims are groundless, we believe that with your cooperation a formal contract embracing the following plan, which we and Columbia Gas & Electric Corporation are able and willing and hereby offer to enter into, would provide a satisfactory compromise of our conflicting claims:

(1) We would agree to fund the entire issue of outstanding 6% Promissory Notes of Panhandle Eastern into 6% Preferred Stock in the amount and of the character hereinafter stated. This would be accomplished in connection with our acquisition, as hereinafter explained, of substantially all of the Notes and the 75% of the stock of Panhandle Corporation held by others.

(2) We would further agree to cause Panhandle Eastern to be recapitalized as hereinafter more fully set forth, and to cause Missouri-Kansas to regain its direct ownership of one-half of the Common Stock of Panhandle Eastern to be issued and outstanding prior to the new financing mentioned in paragraph (6) below.

(3) We would cancel the guaranty by Missouri-Kansas of the principal and interest of the Panhandle Corporation Notes, now amounting to more than $5,500,000, and would release Missouri-Kansas of all liability on this guaranty.

(4) The claim of Panhandle Eastern and its subsidiaries against Missouri-Kansas in the sum of $42,606.74 would be cancelled.

(5) We would agree to pay to you, as Receivers of Missouri-Kansas, the sum of $300,000 in cash, to be applied toward the expenses of the receivership and liquidating other obligations of Missouri-Kansas.

(6) The additional financing necessary to provide funds needed by Panhandle Eastern (estimated at approximately $8,600,000) would be provided by an issue of 160,000 shares of Common Stock of Panhandle Eastern, to be sold at $25 per share (producing $4,000,000), to which

[fol. 15260] Missouri-Kansas stockholders would be given the right to subscribe for one-half but would not be obligated to subscribe, we agreeing to take the entire balance not so subscribed; the remainder of the necessary funds (not to exceed $4,600,000) Columbia Gas & Electric Corporation would agree to supply by the purchase at par of 6% Bonds of Panhandle Eastern.

(7) In order to minimize the financial burden on Panhandle Eastern, we and Columbia Gas & Electric Corporation would agree to cause to be financed and constructed the necessary pipe line extension to the city gate at Detroit, without cost or expense or financial obligation of any kind on Panhandle Eastern. The existing pipe line at present owned by Indiana Gas Transmission Corporation (a subsidiary of the undersigned) and representing a cash investment of more than $1,500,000, would be used as far as a point near Zionsville, Indiana; and Michigan Gas Transmission Corporation (a subsidiary of Columbia Gas & Electric Corporation) would construct and own a pipe line from that point to the Place of Delivery specified in the Detroit contract at a cost now estimated at about $6,780,000. Contracts would be entered into whereby Panhandle Eastern would deliver to Michigan Gas Transmission Corporation (either directly or through the intervention of Indiana Gas Transmission Corporation) and Michigan Gas Transmission Corporation would in turn deliver to Detroit City Gas Company, all of the gas required for delivery under the Detroit Contract. Our engineers have calculated that, at the rates contemplated in these contracts, Panhandle Eastern would receive an average price of about 26½ cents per MCF when the line operates at a 70% load factor, and that these rates would produce, for the companies involved, an equitable apportionment of the net earnings to be derived from the Detroit Contract.

(8) In consideration of the taking of the foregoing action by us and by Columbia Gas & Electric Corporation, you would agree

(a) To dismiss the suit brought by you in the United States District Court for the Southern District of New York on July 18, 1935, and execute a general release, as hereinafter more fully set forth;

(b) To distribute to Missouri-Kansas stockholders, in the manner hereinafter set forth, the warrants evidencing the right to subscribe for additional Common Stock of Panhandle Eastern which you or Missouri-Kansas would receive as a stockholder in Panhandle Eastern;

(c) To join with us, Columbia Gas & Electric Corporation and Panhandle Eastern in an agreement for the cancellation of the contract dated September 17, 1930 between Missouri-Kansas, The National City Company and the undersigned, including specifically the provisions thereof with respect to the purchase or sale of gas or the execution of gas contracts; and

(d) To join with us in taking appropriate corporate action to liquidate Panhandle Corporation in such manner that through such liquidation you would receive one-half of the Common Stock of Panhandle Eastern and we would receive the Preferred Stock.

The following is a more detailed explanation and discussion of the several steps involved in this plan and of the reasons underlying its various provisions.

As stated above, the securities of Panhandle Eastern at present owned by Panhandle Corporation are pledged to secure its $4,940,000 of Two-Year 6% Collateral Trust Notes, which are now in default. Panhandle Corporation has outstanding 1,000 shares of capital stock, of which you, as Receivers, hold 250 shares. We have made offers to the holders of the other 750 shares of stock and to the holders of the Notes to acquire such stock and Notes, subject to certain conditions, and these offers have been accepted by the holders of the 750 shares of stock and by the holders of over 97% of the Notes. As part of this purchase price we are giving up approximately $3,613,500 of Panhandle Eastern Bonds. We propose that, if we acquire these Notes and stock, Panhandle Corporation be dissolved and liquidated in such manner that you receive Panhandle Corporation's half of the Common Stock of Panhandle Eastern. In connection with this liquidation we would cause Panhandle Corporation to satisfy such of its Two-Year 6% Collateral Trust Notes as we shall not have acquired, and we, as holders of the remainder of said Notes, would in this general plan release the guaranty by

Missouri-Kansas of the principal and interest thereof. [fol. 15261] The accomplishment of this liquidation in the most expeditious manner would require your cooperation with us in the taking of the appropriate corporate action.

It is proposed that Panhandle Eastern be recapitalized so that its outstanding securities (before the additional financing required to increase the capacity of its pipe line) would consist of $18,200,000 principal amount (subject to reduction by operation of the sinking fund) of First Mortgage Bonds, $11,000,000 par value of Preferred Stock and such number of shares of Common Stock without par value as would have an initial book value of approximately $25 per share after making certain adjustments hereinafter specified.

The First Mortgage Bonds would be the existing Twenty-Year Sinking Fund Mortgage Bonds, Series A, 6%, issued under the Mortgage Trust Indenture dated as of October 1, 1930, amended in the general respects (except as to interest and sinking fund provisions) set forth in the plan of Readjustment of Funded Dept and Capitalization dated March 12, 1934, with which you are familiar. They would mature October 1, 1950, would bear interest at the rate of 6% per annum and would be subject to a cumulative sinking fund calculated to equal the principal amount of the entire issue over the fifteen-year firm period of the Detroit Contract.

The $11,000,000 par value of Preferred Stock, which the plan contemplates we are to receive, is intended to reflect approximately the amount of investment which we would by then have made in the securities of Panhandle Eastern junior to the Bonds, in excess of the investment made by Missouri-Kansas. This would include the cost to us of the one-half of the 6% Promissory Notes and additional Common Stock of Panhandle Eastern which we acquired directly from Panhandle Eastern and the cost to us (payable in Bonds and cash) of the Notes and 75% of the stock of Panhandle Corporation (both purchased at substantially below issue prices), an advance to Panhandle Corporation to pay its obligations other than the Notes, and the $300,000 cash which we have been asked to provide, and which we are willing to provide, for your use toward

meeting the expenses of the receivership of Missouri-Kansas and the settlement of claims against it.

The Preferred Stock would have a par value of $100 per share; would be entitled to dividends at the rate of 6% per annum, dividends to be cumulative only to the extent earned (depreciation and depletion being taken at no increase over the current rate) until December 31, 1936; thereafter to be fully cumulative; would be redeemable at any time in whole or in part at 110% plus accrued dividends (premium to be waived in case of partial redemption from time to time out of earnings so long as the undersigned or Columbia Gas & Electric Corporation or their respective subsidiaries or affiliates own said stock); and would be entitled to full voting rights, share for share with the Common Stock; and each share would be convertible at the option of the holder into four shares of Common Stock at any time up to the date of redemption. While any of the Preferred Stock remains outstanding there must be set aside from earnings each year 4% of tangible property account to provide for depreciation, depletion and amortization of investment before payment of dividends on the Common Stock.

The Common Stock would consist of such number of shares without par value as would have a book value of approximately $25 per share, such book value to be determined in the following manner: the consolidated balance sheet of Panhandle Eastern and subsidiaries as of December 31, 1935 would be adjusted (1) to give effect to the capital structure above set forth and (2) to write off the claims of Panhandle Eastern against Missouri-Kansas; the resulting net worth applicable to the Common Stock would be divided by $25; and the quotient, to the next lower even number of full shares, would be the number of shares of Common Stock. Applying the foregoing principles to the preliminary figures subject to audit, the number of shares would be 648,652.

In addition to the 4% of tangible property account to be set aside out of earnings as mentioned above, Panhandle Eastern would also set aside out of earnings each year, before payment of dividends on the Common Stock, an amount sufficient to amortize over a ten-year period cer-

tain assets of a non-realizable nature now carried on its books at $3,053,391.53 (less reserves heretofore established [fol. 15262] in respect thereof and amounting, as of December 31, 1935, to $123,105.13).

The Certificate of Incorporation of Panhandle Eastern would be amended so as to provide for cumulative voting for the election of directors. The Board of Directors would be reconstituted so as to consist of 9 members, initially selected by application of the cumulative voting rights in accordance with the new capitalization and its ownership as proposed herein.

The effect of the foregoing would thus be to enable the Missouri-Kansas interests to regain their position as beneficial owners of one-half of the Common Stock of Panhandle Eastern, with the right of cumulative voting in the election of directors. This Common Stock would be subject only to senior securities representing substantially the additional investment made by the undersigned subsequently to the original Common Stock investment, and would be freed from the burden of the guaranty by Missouri-Kansas (amounting to some $5,500,000) of the principal and interest of the Panhandle Corporation Notes.

The resulting distribution of the securities of Panhandle Eastern would be as follows:

	Owned by		
Securities	Columbia Oil	Receivers	Others
6% Mortgage Bonds	$14,586,500	—	$3,613,500
Preferred Stock	11,000,000	—	—
Common Stock (approximately)	324,326 sh.	324,326 sh.	

In terms of Panhandle Eastern's book value (using December 31, 1935 consolidated balance sheet figures), the following table shows what the net assets of Panhandle Eastern would be under the proposed plan:

	Under the Proposed Plan
Net Assets applicable to all securities..	$45,458,943
Less claim against Mo-Kan (which Panhandle Eastern will release)	42,607
	$45,416,336
Less Bonds	18,200,000
Balance after Bonds	$27,216,336
Less Preferred Stock	11,000,000
Balance for Common Stock	$16,216,336
One-half of Common Stock	$ 8,108,168
Claim against Mo-Kan	42,607
Net interest of Receivers	$ 8,150,775

This table does not purport to reflect the value of the assets as affected by earnings, nor does it reflect the contemplated additions to Panhandle Eastern's property nor the additional Common Stock and Bonds to be issued therefor.

As stated above, it is estimated that, in order to carry out the Detroit Contract, Panhandle Eastern will require about $8,600,000 of additional capital to increase its present capacity to deliver gas at the Illinois-Indiana State line. The plan contemplates the raising of $4,000,000 on April 1, 1936 through the issuance of 160,000 shares of additional Common Stock at $25 per share and the raising of the remaining amount through the sale of up to $4,600,000 of 6% Bonds, as needed, within three years.

The stock would be offered by Panhandle Eastern for subscription, pro rata to the holders of its Common Stock, subscription rights issued to you as Receivers or to Missouri-Kansas to be distributed pro rata (according to the total number of votes represented by the outstanding stock) to the stockholders of Missouri-Kansas who sat-

isfactorily establish that they are such stockholders, and to be exercisable only by such stockholders or their re-
[fol. 15263] spective assignees. The time for the exercise of the warrants so distributed would be extended until 90 days after the termination of the receivership, but in no case beyond October 1, 1936. We would subscribe for our own share of such additional stock, we would purchase any shares not subscribed for by your stockholders and, if the time for making subscriptions should be extended, we would temporarily advance the funds to Panhandle Eastern to be repaid with interest at 6% when the subscriptions were made, to assure the availability of the necessary $4,000,000 to Panhandle Eastern on April 1, 1936. The $4,600,000 of additional Bonds as needed would be purchased by Columbia Gas & Electric Corporation at par. No compensation would be paid to us or to Columbia Gas & Electric Corporation in connection with this financing.

As you know, the existing business of Panhandle Eastern has not been sufficient to yield it an adequate return on its investment. While, of course, we are not in a position to make any representations as to future earnings and do not do so, nevertheless Columbia Gas & Electric Corporation has caused its engineers to make an extensive study of the probable effects of the Detroit Contract on the earnings of Panhandle Eastern and they have estimated that this contract (after giving effect to the proposed gas contracts referred to above) would produce, during the first full year of operation, sufficient net operating revenue, after reasonable charges for depreciation and depletion, to cover all interest charges and dividends on the Preferred Stock contemplated by the plan and thereafter would produce additional net earnings which would be available for the Common Stock on the capitalization contemplated herein. These estimated earnings and the interest of Missouri-Kansas and its stockholders therein under the proposed plan, as compared with their interest in the earnings for the latest twelve-months' period under the existing financial structure, are more clearly shown by the following table:

	Consolidated Earnings for 12 Months ended December 31, 1935	Estimated Earnings Under Proposed Capitalization for 5th Year of Operation under Detroit Contract
Total Gross Revenue (inc. Other Income)	$3,614,877	$9,785,000
Operation and Maintenance	$1,064,409	$3,121,000
Provision for Retirements and Depletion	768,197	2,247,000
Taxes (inc. Federal income taxes)	284,598	1,366,000
Total Operating Expenses	$2,117,204	$6,734,000
Gross Corporate Income	$1,497,673	$3,051,000
Interest (other than Note interest) and Amortization of Debt Discount and Expense on First Mortgage Bonds	1,230,267	1,251,000
Balance for Junior Securities	$ 267,406	$1,800,000
Note Interest	593,460*	—
Preferred Stock Dividends	—	660,000
Balance for Common Stock	$ 326,054	$1,140,000

* Note interest for one year; as of December 31, 1935, there was Note interest of $1,383,091.50 in arrears to be made up before any earnings would be available for the Common Stock.

We should be pleased to submit to your examination the data from which the engineers have drawn these estimates, in order that you may make your own decision as to the correctness thereof.

In order to effect a complete settlement of the points of difference among the parties, it is essential that your suit be dismissed and that you and Missouri-Kansas give the defendants in that suit, Panhandle Eastern, their subsidiary companies, and the officers and directors of all said companies, a general release of all your claims. For the same reason the plan also provides for the cancellation of the obligations of the parties under the contract dated September 17, 1930, under which we made our original investment in the stock of Panhandle Eastern, including the [fol. 15264] obligations with respect to the purchase of gas from Panhandle Eastern by Missouri-Kansas and Columbia Gas & Electric Corporation, inasmuch as the obligation of Panhandle Eastern under the Detroit Con-

tract would be as great as it would be justified in assuming under present conditions.

Due to unforseen complications, we were unable to present this plan to you as early as we had originally hoped, so that it will be obviously impossible for you to obtain the approval thereof by the Court of Chancery of the State of Delaware in time to enable Panhandle Eastern to notify Detroit City Gas Company by February 1, 1936, as required by Section 7 of Article II of the Detroit Contract, that the financial arrangements contemplated by the plan have been completed. We are accordingly planning to make arrangements to meet this date, which will in no way prejudice your position under the plan and which will preserve for your stockholders the subscription rights which the plan contemplates they are to receive, provided that you accept promptly and secure, on or before March 15, 1936, the approval by the Court of the action necessary to carry it into effect.

The foregoing plan is conditioned upon the following: (1) the execution by you on or before March 15, 1936 of the formal documents necessary to carry out this plan together with the approval thereof by the Court of Chancery of the State of Delaware and the approval of any other Federal or State Courts or public authorities whose approval shall be necessary and from none of which approvals appeal shall lie or the right to such appeal shall be waived by all parties; (2) the appeal of such Federal or State public authorities as shall be required by law for the consummation of the plan; and (3) that the sellers of 75% of the stock and approximately 97% of the Two-Year 6% Collateral Trust Notes of Panhandle Corporation who have contracted to sell the same to us shall perform their contracts so that we shall be able to acquire all of the debt and 75% of the stock of Panhandle Corporation. If you should accept the foregoing proposal and if thereafter for any reason not involving a breach of the Detroit Contract by Panhandle Eastern, Indiana Gas Transmission Corporation or Michigan Gas Transmission Corporation, the Detroit Contract should fail to be performed, then all of the obligations of the parties then unperformed would no longer be binding.

The action called for by the foregoing proposal would be taken by the several parties concurrently on or before April 1, 1936, except that the performance of such action as could not in the nature of things be taken concurrently would be taken at the times indicated above.

The advantages of the proposed plan to the stockholders of Missouri-Kansas (assuming the consummation of the Detroit Contract) may be summed up as follows:

1. It would immediately restore to Missouri-Kansas a full one-half direct interest in the Common Stock of Panhandle Eastern, with Preferred Stock substituted for senior obligations which are now in default.

2. Missouri-Kansas would be released from its contingent liability of over $5,500,000 in respect of its guaranty of the Panhandle Corporation Notes.

3. A means would be provided for terminating the receivership of Missouri-Kansas.

4. Your stockholders would have a direct opportunity to participate in the further equity financing of Panhandle Eastern and consequently in any increase in its earning power.

5. The direct ownership by you and your stockholders of Common Stock of Panhandle Eastern, coupled with the provisions for cumulative voting would give the Missouri-Kansas interests representatives on the Board of Directors of Panhandle Eastern, and consequently a direct voice in its management.

Under date of January 29, 1936, a consent decree was entered in the District Court of the United States for the District of Delaware, in the cause entitled United States of America, Petitioner, against Columbia Gas & Electric Corporation, Columbia Oil & Gasoline Corporation, and others, Defendants in equity No. 1099. A copy of said decree is enclosed. The within offer should be read in the light of its provisions.

[fol. 15265] We suggest that you give this offer your careful consideration and advise us promptly as to your willingness to accept it. In the event of your acceptance, we shall be pleased to prepare and submit the formal contract embodying the above terms, so that proceedings may be instituted promptly for its approval by the Chancery Court of the State of Delaware within the time limit above set forth.

Yours very truly,

COLUMBIA OIL & GASOLINE CORPORATION,
By Charles A. Monroe,
President.

Messrs. Henry T. Bush and C. Ray Phillips,
as Receivers of Missouri-Kansas Pipe Line Company.

Dear Sirs:

The undersigned Columbia Gas & Electric Corporation concurs in the foregoing letter and, if you accept the plan set forth therein, will agree

(a) To take all of the action on its part set forth therein; and

(b) To enter into an agreement to furnish, to the extent that it may be necessary, the funds required by Columbia Oil & Gasoline Corporation to enable it to carry out its obligations therein set forth.

Yours very truly,

COLUMBIA GAS & ELECTRIC CORPORATION,
By E. Reynolds, Jr.,
Vice-President.

[fol. 15266] The Ambassador
Park Avenue and 51st Street
New York.

March 4, 1936.

Columbia Oil & Gasoline Corporation,
61 Broadway,
New York, N. Y.

Gentlemen:

Under the date of January 31, 1936, you submitted to the Receivers of Missouri-Kansas Pipe Line Company a proposal of settlement of the controversies existing between Missouri-Kansas Pipe Line Company and Columbia Oil & Gasoline Corporation and Columbia Gas & Electric Corporation, which proposal had been negotiated by us some time previously.

Two days later the Receivers mailed you a letter purporting to reject this offer for the reason there stated that the proposal did not comply with the stipulation under which the consent decree of January 29th was entered in the District Court of the United States for the District of Delaware in the cause entitled United States of America, petitioner, against Columbia Gas & Electric Corporation, et al, in Equity No. 1099, and the further reason that the proposal was not acceptable to them.

We are advised that this action was taken without notice to creditors and stockholders whose interests would be affected by the acceptance or rejection of this proposal.

Substantial creditors and stockholders of Missouri-Kansas Pipe Line Company, upon learning of this action of the Receivers, have asked us to undertake to have this proposal resubmitted so that it may be presented to the Chancery Court of Delaware for consideration after due notice to stockholders and creditors whose interests are to be affected. These stockholders and creditors believe the proposal should be accepted and desire an opportunity to urge the acceptance of it by the Chancery Court of Delaware.

In the interest of fairness to creditors and stockholders of Missouri Kansas Pipe Line Company, we ask that this proposal of settlement be resubmitted.

The proposal of January 31, 1936 required acceptance by the Receivers and approval of the Chancery Court of Delaware on or before March 15, 1936. It is manifestly impossible to fairly present this matter to the Court by that date. Accordingly we suggest that the time within which the offer must be accepted by the Receivers and approved by the Court be extended to May 1, 1936.

If you renew this proposal, may we suggest that your letter of transmittal include a statement of any changes that have taken place in the general situation affecting this proposal since January 31, 1936 and, if you are aware of the basis of the Receivers' contention that this proposal does not comply with the terms of the stipulation, a statement with respect to this matter.

Very Truly yours,

(Signed) FRANK P. PARISH,
(Signed) DUPUY G. WARRICK.

[fol. 15267] March 5, 1936.

Messrs. Frank P. Parish and Dupuy G. Warrick
Ambassador Hotel,
Park Avenue and 51st Street,
New York, N. Y.

Dear Sirs:

We acknowledge receipt of your letter of the 4th instant and in reply state that you may consider our offer of January 31, 1936, addressed to Messrs. Bush and Phillips, Receivers of Missouri-Kansas Pipe Line Company, as still

in force so that it may be submitted to the Chancery Court of Delaware as you propose. We also are willing that the time within which the offer must be accepted by the Receivers and approved by the Chancery Court be extended to May 1, 1936."

Referring to your request for a statement of important developments affecting this proposal which have taken place since January 31, 1936, we would say as follows:

On January 31, 1936, Panhandle Eastern Pipe Line Company entered into an agreement under which it received from Columbia Oil & Gasoline Corporation and Columbia Gas & Electric Corporation the assurance of sufficient financial assistance to enable it to comply with its Detroit Contract, by providing that they will undertake the construction of the new pipe line to connect with the Detroit market and will provide the funds needed by Panhandle Eastern for the reinforcement of its present pipe line up to the necessary delivery capacity. This agreement was not binding on Panhandle Eastern if, within the twenty days specified in clause (b) of Article V of the stipulation accompanying the Decree of the United States District Court for the District of Delaware entered on January 29, 1936, (copy of which has already been furnished you) it arranged for the necessary financing otherwise than through the assistance of Columbia Oil and Columbia Gas. Panhandle Eastern did not, within such twenty day period, arrange for the necessary financing from any other source and thereupon became bound by the said agreement. Furthermore, on February 28, 1936, Mr. Gano Dunn, the Trustee under the said Decree, approved of this arrangement with the two Columbia companies. A copy of his letter of that date to Panhandle Eastern so expressing his approval, together with a copy of the enclosure mentioned therein, is attached hereto.

Panhandle Eastern Pipe Line Company also on January 31, 1936 (notified Detroit City Gas Company that it had arranged for the financing of the construction of the connecting line and of the reinforcement of its present pipe line pursuant to Section 7 of Article II of the contract dated August 31, 1935, between them, and has re-

ceived Detroit City Gas Company's acceptance of such notice and of the adequacy of the financial assurance contained therein.

On February 6, 1936, Panhandle Eastern Pipe Line Company retired all of its previously outstanding issue of 6% Promissory Notes, due October 2, 1950, which had been in default as to interest and by amendment of the Mortgage Trust Indenture securing its Mortgage Bonds it cured its defaults in respect to said Bonds. It accomplished these objectives by a recapitalization as the result of which its outstanding securities and the ownership thereof are as follows:

[fol. 15268]

Securities of Panhandle Eastern	Columbia Oil	Owned by Panhandle Corp.	Public
Mortgage 6% Bonds*	$14,574,500	$ —	$3,625,500
Notes due September 1, 1937#	800,000	800,000	—
Preferred Stock (par value)	4,700,000	4,700,000	—
Common Stock	1,149 shs.	1,149 shs.	—

(*) The Trustee under the Mortgage now holds $315,000 cash in the Sinking Fund and is calling for tenders of Bonds to exhaust said funds.

(#) These notes bear no interest until September 1, 1936, and 5% interest for one year thereafter, payable at maturity, and are convertible at the option of the holders, par for par, into Preferred Stock.

The Preferred Stock now outstanding has the voting and conversion rights and other preferences described in our said offer dated January 31, 1936. $1,600,000 (par value) additional thereof has been authorized to be issued on the conversion of the presently outstanding Notes of the same principal amount.

On and after February 6, 1936, the undersigned Columbia Oil & Gasoline Corporation acquired by purchase or made provision for the payment of all of the presently outstanding $4,940,000 principal amount of Two-Year 6% Collateral Trust Notes of Panhandle Corporation, which are now in default as to principal and interest and which are unconditionally guaranteed as to principal and interest by Missouri-Kansas Pipe Line Company. These Notes are collaterally secured by pledge of the Notes, Preferred Stock and Common Stock of Panhandle Eastern owned by Panhandle Corporation.

On February 6, 1936, the undersigned, Columbia Oil, also purchased 750 shares (75%) of the common stock of Panhandle Corporation and loaned to Panhandle Corporation the sum of $187,876.28 for the discharge of liabilities other than its Two-Year 6% Collateral Trust Notes and its notes evidencing these loans.

Within the period specified in the above mentioned Decree, Columbia Oil has transferred to Mr. Gano Dunn, as Trustee thereunder, the Preferred Stock and Common Stock of Panhandle Eastern owned by it as shown in the above table.

The nine directors of Panhandle Eastern, selected pursuant to paragraph (a) of Section III of the above mentioned Decree are at present Messrs. Gano Dunn, Joseph A. Bower, James L. Harrop, Dean Mathey, William P. Philips, Henry T. Bush, C. Ray Phillips, Ashton W. Hawkins and F. Cliffe Johnston. The last two named were selected by Mr. Dunn to be independent of either Columbia or Missouri-Kansas interests and Columbia Oil has advised Mr. Dunn that, as to Messrs. Henry T. Bush and C. Ray Phillips and to the two so selected by him, the nomination applies also to the next annual election of directors which will occur on March 9, 1936.

Replying to your request that if we are aware of the basis of the Receivers' contention that our proposal did not comply with the terms of the stipulation, we should enclose a statement with respect to this matter, we beg to say that we have not been advised by the Receivers of the basis for their contention. With respect to certain provisions of the offer which you and we have heretofore discussed, we can add the following as a clarification of their meaning:

The plan of financing the whole project of supplying the Detroit market with natural gas from Panhandle Eastern Pipe Line Company, as set forth in our said offer of [fol. 15269] January 31, 1936, embodied the terms on which the undersigned Columbia Oil & Gasoline Corporation and Columbia Gas & Electric Corporation would be willing to assist in this financing. (Their agreement with Panhandle Eastern dated January 31, 1936, described in the second paragraph of this letter, is in conformity there-

with.) The provision in said plan that Columbia Gas would construct or acquire the necessary connecting pipe line from Panhandle Eastern's present pipe line to the city gate at Detroit in no way restricted Panhandle Eastern in its freedom to make other arrangements for this financing within the period provided in the above mentioned Decree entered on January 29, 1936. On the contrary, this provision, acceptance of which was optional with Panhandle Eastern, relieves Panhandle Eastern of the burden of raising approximately half of the total new capital funds needed for the whole Detroit project.

Another of the provisions of our said offer dated January 31, 1936, contemplated the cancellation of those provisions of the contract dated September 17, 1930, (between Missouri-Kansas, The National City Company and the undersigned Columbia Oil) which relate to the execution of contracts for the purchase of gas from Panhandle Eastern by Columbia Gas and Missouri-Kansas. The differences of opinion arising from varied meanings attributed to these provisions constitute a part of the claims asserted by the Receivers of Missouri-Kansas in their suit against us and others which our said offer dated January 31, 1936, proposed to settle. If any settlement is to be made, manifestly it should be a settlement of all controversies. The requirements of the Detroit Contract so absorb the capacity of Panhandle Eastern's pipe line as then constituted that it can not make additional commitments for substantial quantities of firm gas. Furthermore, should it hereafter become possible to increase the capacity of the line beyond the requirements of the Detroit Contract, this arrangement would not prevent Panhandle Eastern from selling its then available gas to Missouri-Kansas or to any other purchaser on the terms which might then appear most advantageous to it.

If there are any other features of this matter about which you would care to make inquiry, we should be glad to have you take them up with us.

Yours very truly,

COLUMBIA OIL & GASOLINE CORPORATION,

By Charles A. Munroe, President.

The undersigned, Columbia Gas & Electric Corporation, concurs in the foregoing letter.

COLUMBIA GAS & ELECTRIC
CORPORATION,

By E. Reynolds, Jr.,
Executive Vice-President.

[fol. 15270] April 22, 1936.

Columbia Oil & Gasoline Corporation
and
Columbia Gas & Electric Corporation
61 Broadway
New York, N. Y.

In re: Missouri-Kansas Pipe Line Company Receivership.

Dear Sirs:

We, the undersigned, Receivers of Missouri-Kansas Pipe Line Company, suggest that your offer to us dated January 31, 1936, as supplemented by your letter of March 5, 1936, filed in the Missouri-Kansas Pipe Line Company receivership proceedings, be modified in the following particulars and we hereby offer, in the event you agree to the following modifications, that we will present the offer as so modified to the Chancellor of the State of Delaware at the adjourned hearing now set for Thursday, April 23, 1936, and will recommend that he enter an order directing us to accept the offer as so modified. Subject to your acceptance and such approval by the Chancellor, we agree to carry into effect with you the offer as so modified.

The modifications are as follows:

1. That the Preferred Stock of Panhandle Eastern Pipe Line Company, as described in your letter of January 31, 1936, be changed in the following respects:

(a) The provision for the convertibility of each share of Preferred Stock into 4 shares of Common Stock at any time up to the date of redemption be eliminated;

[fol. 15271] (b) The provision giving the Preferred Stock voting rights for the election of directors be eliminated and there be substituted in lieu thereof the following arrangement:

Of the 110,000 shares of Preferred Stock mentioned in your letter of January 31, 1936, 10,000 shares be set apart and designated as Class B Preferred Stock and the same be non-redeemable, non-convertible and non-participating in earnings except that such 10,000 shares shall bear a dividend provision identical with the dividend provisions provided for in your letter of January 31, 1936, and that said 10,000 shares of Class B Preferred Stock be entitled to elect as a class two of the nine directors to the Board of Panhandle Eastern Pipe Line Company. The balance of the directors, seven in number, shall be elected by the common stock and said stock shall have cumulative voting rights;

(c) The balance of the 110,000 shares of Preferred Stock mentioned in your letter of January 31, 1936, other than the shares to be set apart as a Class B, Preferred Stock, as mentioned in subparagraph (b) above consisting of 100,000 shares of Preferred Stock be designated Class A Preferred Stock and until redeemed shall be entitled to [fol. 15272] participate in earnings of Panhandle Eastern Pipe Line Company upon the following basis:

When in any year the preferred dividends plus any and all accumulations on both the Class A and the Class B Preferred Stock outstanding have been declared and paid and a dividend has been declared and paid upon the Common Stock at the rate of $1.50 per share, any further dividends declared and paid in any such year shall be shared by the Class A preferred Stock and the Common Stock by classes in the ratio of 25% thereof to the Class A Preferred Stock and 75% thereof to the Common Stock so long as the 100,000 shares of Class A Preferred Stock are outstanding. In the event that the Class A Preferred Stock is redeemed in part the percentage of participation of the remaining Class A Preferred Stock outstanding shall be in such proportion of 25% as such number of shares outstanding bears to 100,000 and upon said percentage (25%) being reduced through part of the Class A Preferred Stock

being redeemed, the percentage otherwise payable to the Common Stock (75%) would be accordingly increased;

(d) Said Class A Preferred Stock shall be redeemable at any time in whole or in part at par plus accrued divi- [fol. 15273] dends on or before July 1, 1941; after July 1, 1941, said Class A Preferred Stock shall be redeemable at any time in whole or in part at 110% plus accrued dividends. However, at any and all times the premium of 10% on such stock shall be waived upon any redemption from time to time out of earnings of the Corporation of any part of said Class A Preferred Stock then owned, held or controlled by Columbia Oil & Gasoline Corporation or Columbia Gas & Electric Corporation.

(e) Except as above stated, the Class A and Class B Preferred Stock shall contain identical provisions which shall be substantially those now stated in the Certificate of Incorporation.

2. The 80,000 shares of Common Stock which the offer of January 31, 1936, contemplates shall first be tendered to stockholders of Missouri-Kansas Pipe Line Company and thereafter taken up by Columbia Oil & Gasoline Corporation to the extent not purchased by said stockholders shall be tendered to said stockholders as provided in the offer of January 31, 1936, as modified by the letter of Gano Dunn, Trustee, dated February 28, 1936, attached to your letter of March 5, 1936, and to the extent Missouri-Kansas Pipe Line Company stockholders do not exercise their rights to subscribe the same shall be subscribed by Columbia Oil & Gasoline Corporation, and to the extent Columbia Oil & Gasoline Corporation subscribes for said shares and [fol. 15274] purchases the same Missouri-Kansas Pipe Line Company or any new corporation taking over its assets under any plan of reorganization or readjustment or reclassification of its stock shall have the right to purchase said shares at $25 per share plus interest at the rate of 6% per annum from the date of purchase by Columbia Oil & Gasoline Corporation to the date of such purchase from Columbia Oil & Gasoline Corporation during a period of six months after the discharge of the undersigned as Receivers of Missouri-Kansas Pipe Line Company and the termination of the receivership estate except that in

no event shall such right continue after the 31st day of December, 1937. In your offer of January 31, 1936, you have the following statement:

"The stock would be offered by Panhandle Eastern for subscription pro rata to the holders of its Common Stock, subscription rights issued to you as Receivers or to Missouri-Kansas to be distributed pro rata (according to the total number of votes represented by the outstanding stock) to the stockholders of Missouri-Kansas who satisfactorily establish that they are such stockholders, and to be exercisable only by such stockholders or their respective assignees."

This should be changed to read as follows:

[fol. 15275] The stock would be offered by Panhandle Eastern for subscription, pro rata to the holders of its Common Stock, subscription rights issued to you as Receivers or to Missouri-Kansas to be distributed pro rata among the holders of your Common Stock and Class B Stock in proportion to the relative dividend and liquidation provisions of said classes of stock, namely, each Class B share would be entitled to one-twentieth of the right which would be accorded each share of the Common Stock. Such distribution to be made to the stockholders of Missouri-Kansas who satisfactorily establish that they are such stockholders and said rights to be exercisable only by such stockholders or their respective assignees.

3. The September 17, 1930 contract shall be canceled as provided in your offer of January 31, 1936 without prejudice, however, to Missouri-Kansas Pipe Line Company or its Receivers to enter into any contract or contracts with Panhandle Eastern Pipe Line Company for the purchase of gas which the Board of Directors of Panhandle Eastern Pipe Line Company agree upon and the releases to be given to you pursuant to your offer shall include all rights of Panhandle Eastern Pipe Line Company and its stockholders, you and we cooperating as the owners of its entire stock to authorize the same.

4. The provisions in the offer of January 31, 1936, with respect to the amount of cash which the undersigned shall receive, be changed as follows:

[fol. 15276] (a) The payment of $300,000 presently provided for, remains;

(b) Columbia Oil & Gasoline Corporation shall purchase from the Receivers at $25 per share up to 40,000 shares of Panhandle Eastern Pipe Line Company Common Stock which the Receivers will obtain under the offer, provided, however, that at least such number of shares be first offered to the present stockholders of Missouri-Kansas Pipe Line Company for purchase by them at $25 per share, in addition to, at the same time and in the same manner, as the 80,000 shares referred to in Paragraph 2 above. The obligation of Columbia Oil & Gasoline Corporation shall be to purchase only such portion as shall not be taken by the stockholders after such offering, but the money provided by Columbia Oil & Gasoline Corporation shall be used only for the purpose of paying claims adjudicated in the receivership proceedings and administration fees and expenses allowed by the Chancellor. Money raised from other sources or from stockholders may be used for other purposes. To the extent there would not be needed for said purposes the full $1,000,000 which would be so provided by Columbia Oil & Gasoline Corporation if it purchased 40,000 shares of the Panhandle Eastern stock at $25 per share, Columbia Oil & Gasoline Corporation shall not be called upon to make such purchase. In [fol. 15277] the event Columbia Oil & Gasoline Corporation is called upon to purchase any part or all of the 40,000 shares, Missouri-Kansas Pipe Line Company or any new company taking over its assets under a plan of reorganization, readjustment or reclassification, shall be given a right within a period of six months after the discharge of the undersigned as Receivers of Missouri-Kansas Pipe Line Company and the termination of the receivership estate to repurchase said shares at $25 per share plus interest at the rate of 6% per annum from the date of purchase by Columbia Oil & Gasoline Corporation to the date of such purchase from Columbia Oil & Gasoline Corporation, which right shall in no event extend beyond the 31st day of December, 1937.

(c) In the event the Chancellor of the State of Delaware shall request an extension of the offer beyond May 1,

1936, you will be willing to extend it for his convenience until the 10th day of May, 1936.

5. Except as the modifications suggested in this letter make changes in the offer of January 31, 1936, all of its terms and provisions shall remain unaltered.

C. RAY PHILLIPS.
HENRY T. BUSH.
As Receivers of Missouri-Kansas Pipe Line Company.

We hereby agree to the modification set forth above.

[fol. 15278] COLUMBIA OIL & GASOLINE CORPORATION,
By Charles A. Munroe, President.

COLUMBIA GAS & ELECTRIC CORPORATION,
By E. Reynolds, Jr., President.

[fol. 15279] Marvel, Morford, Ward & Logan
Delaware Trust Building
Wilmington, Delaware

April 29, 1936.

Columbia Gas and Electric Corporation
Columbia Oil and Gasoline Corporation
61 Broadway,
New York, New York

Gentlemen:

In re: R. H. McWilliams Co. vs. Missouri-Kansas Pipe Line Company, et al.
Consolidated and Constituent Causes

This is to advise you that Henry T. Bush and C. Ray Phillips, as Receivers of Missouri-Kansas Pipe Line Company, presented your offer dated January 31, 1936, as supplemented by your letter of March 5, 1936, and as modified by their letter to you of April 22, 1936, setting forth certain modifications which had been agreed to by you, the Chancellor of the State of Delaware at the adjourned hearing on Thursday, April 23, 1936, in the above-

captioned proceedings, and recommended that he enter an order directing them to accept the offer as so modified. This is to notify you that the Chancellor approved the offer as so modified and entered an order dated the 29th day of April, A. D. 1936, authorizing and directing said Receivers to accept the offer as so modified. Enclosed herewith is a copy of the order entered by the Chancellor.

The Receivers are now prepared and authorized to join with you in carrying the offer as so modified into effect, and, to the extent necessary, hereby accept the offer as so modified.

Yours truly,

HENRY T. BUSH AND
C. RAY PHILLIPS,
Receivers of Missouri-Kansas
Pipe Line Company.

AGL/MD
Enc.

By Marvel, Morford, Ward & Logan,
Their Attorneys.

Exhibit 158

GAS REVENUE FROM INDIANA GAS TRANSMISSION CORPORATION
AND MICHIGAN GAS TRANSMISSION CORPORATION
PERIOD FROM NOVEMBER 1931 TO NOVEMBER 1941 INCLUSIVE
PANHANDLE EASTERN PIPE LINE COMPANY

Year	Month	MCF	Average Price	Amount	Year Ended December 31 MCF	Year Ended December 31 Average Price	Year Ended December 31 Amount
1931 -	November	4 536	18.00	$ 816 48			
	December	260 541	18.00	46 897 38	265 077	18.00	$ 47 713 86
1932 -	January	262 637	18.00	47 274 66			
	February	184 048	18.00	33 128 64			
	March	192 050	18.00	34 569 00			
	April	170 970	18.00	30 774 60			
	May	132 986	18.00	23 937 48			
	June	120 753	18.00	21 735 54			
	July	138 822	18.00	24 987 96			
	August	117 138	18.00	21 084 84			
	September	144 380	18.00	25 988 40			
	October	123 450	18.00	22 221 00			
	November	124 663	18.00	22 439 34			
	December	122 223	18.00	22 000 14	1 834 120	18.00	330 141 60
1933 -	January	98 071	18.00	17 652 78			
	February	95 888	18.00	17 259 84			
	March	155 742	18.00	28 033 56			
	April	116 624	18.00	20 992 32			
	May	157 787	18.00	28 401 66			
	June	172 755	18.00	31 095 90			
	July	155 972	18.00	28 074 96			
	August	141 637	18.00	25 494 66			
	September	118 167	18.00	21 270 06			
	October	125 111	18.00	22 519 98			
	November	134 360	18.00	24 184 80			
	December	139 323	18.00	25 078 14	1 611 437	18.00	290 058 66
1934 -	January	141 293	18.00	25 432 74			
	February	163 159	18.00	29 368 62			
	March	147 616	18.00	26 570 88			
	April	142 012	18.00	25 562 16			
	May	133 980	18.00	24 116 40			
	June	145 353	18.00	26 163 54			
	July	129 554	18.00	23 319 72			
	August	146 266	18.00	26 327 88			
	September	140 855	18.00	25 353 90			
	October	157 335	18.00	28 320 30			
	November	135 826	18.00	24 448 68			
	December	143 100	18.00	25 758 00	1 726 349	18.00	310 742 82

GAS REVENUE FROM INDIANA GAS TRANSMISSION CORPORATION
AND MICHIGAN GAS TRANSMISSION CORPORATION
PERIOD FROM NOVEMBER 1931 TO NOVEMBER 1941 INCLUSIVE
PANHANDLE EASTERN PIPE LINE COMPANY

					Year Ended December 31		
Year	Month	MCF	Average Price	Amount	MCF	Average Price	Amount
1935 -	January	149 228	18.00	$ 26 861 04			
	February	139 906	18.00	25 183 08			
	March	140 903	18.00	25 362 54			
	April	146 191	18.00	26 314 38			
	May	212 081	18.00	38 174 58			
	June	156 811	18.00	28 225 98			
	July	182 790	18.00	32 902 20			
	August	171 218	18.00	30 819 24			
	September	184 920	18.00	33 285 60			
	October	228 950	18.00	41 211 00			
	November	215 022	18.00	38 703 96			
	December	441 634	18.00	79 494 12	2 369 654	18.00	$ 426 537 72
1936 -	January	769 343	18.00	138 481 74			
	February	628 519	18.00	113 133 42			
	*March	717 198	18.00	129 095 64			
	April	757 800	18.00	136 404 00			
	May	445 863	18.00	80 255 34			
	June	219 196	18.00	39 455 28			
	July	260 670	18.00	46 920 60			
	August	332 677	20.65	68 695 72			
	September	368 029	20.85	76 752 00			
	October	422 790	20.78	87 854 60			
	November	483 642	20.88	100 980 10			
	December	824 020	22.91	188 770 96	6 229 747	19.37	1 206 799 40
1937 -	January	304 344	23.20	70 595 57			
	February	477 936	21.43	102 425 89			
	March	462 053	21.32	98 514 38			
	April	568 900	19.85	112 914 48			
	May	699 003	19.23	134 427 29			
	June	690 351	19.39	133 983 60			
	July	773 116	18.85	145 718 28			
	August	790 079	18.88	149 146 36			
	September	787 750	18.72	147 444 31			
	October	777 652	19.51	151 720 60			
	November	654 210	20.46	133 835 28			
	December	653 591	20.19	131 947 56	7 639 485	19.80	1 512 673 60

*Name changed 3/4/36

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GAS REVENUE FROM INDIANA GAS TRANSMISSION CORPORATION
AND MICHIGAN GAS TRANSMISSION CORPORATION
PERIOD FROM NOVEMBER 1931 TO NOVEMBER 1941 INCLUSIVE
PANHANDLE EASTERN PIPE LINE COMPANY

					Year Ended December 31		
Year	Month	MCF	Average Price	Amount	MCF	Average Price	Amount
1938 -	January	618 539	20.22	$ 125 094 30			
	February	532 222	22.86	121 655 87			
	March	548 718	22.12	121 359 31			
	April	586 252	22.26	130 492 62			
	May	696 510	21.08	146 807 85			
	June	655 078	20.94	137 191 60			
	July	609 954	21.18	129 192 77			
	August	647 940	21.09	136 654 77			
	September	765 046	21.09	161 344 47			
	October	831 477	20.72	172 314 74			
	November	903 964	20.28	183 324 08			
	December	904 616	20.50	185 474 68	8 300 336	21.09	$1 750 907 06
1939 -	January	895 747	20.48	183 424 00			
	February	862 104	20.65	178 000 07			
	March	959 104	19.52	187 262 21			
	April	895 425	20.56	184 075 43			
	May	948 480	20.13	190 949 35			
	June	877 849	20.50	179 921 64			
	July	847 672	20.31	172 170 01			
	August	933 025	20.29	189 329 78			
	September	887 732	21.01	186 526 72			
	October	1 041 013	20.82	216 728 07			
	November	1 038 115	21.06	218 605 78			
	December	1 005 205	20.62	207 236 29	11 191 471	20.50	2 294 229 35
1940 -	January	1 098 355	20.23	222 210 31			
	February	994 707	20.83	207 185 34			
	March	1 039 478	20.44	212 498 58			
	April	943 766	21.66	204 382 38			
	May	952 551	21.47	204 502 06			
	June	877 714	21.91	192 271 56			
	July	869 147	22.01	191 290 32			
	August	1 011 225	21.57	218 146 47			
	September	1 017 150	21.42	217 871 18			
	October	1 186 440	21.17	251 194 28			
	November	1 140 722	20.52	234 060 66			
	December	1 180 342	20.35	240 196 82	12 311 597	21.08	2 595 809 96

GAS REVENUE FROM INDIANA GAS TRANSMISSION CORPORATION
AND MICHIGAN GAS TRANSMISSION CORPORATION
PERIOD FROM NOVEMBER 1931 TO NOVEMBER 1941 INCLUSIVE
PANHANDLE EASTERN PIPE LINE COMPANY

Year	Month	MCF	Average Price	Amount	Year Ended December 31 MCF	Year Ended December 31 Average Price	Year Ended December 31 Amount
1941 -	January	1 233 135	21.24	$ 261 876 79			
	February	1 188 548	21.71	257 975 77			
	March	1 337 190	21.09	281 959 06			
	April	1 152 899	21.77	250 988 61			
	May	1 207 457	20.81	251 301 19			
	June	1 177 162	20.37	239 805 88			
	July	1 230 518	20.03	246 447 92			
	August	1 282 293	19.82	254 199 27			
	September	1 350 073	20.06	270 827 61			
	October	1 462 223	20.32	297 096 23			
	November	1 463 279	21.20	310 250 92			
Totals 11 Months 1941 -		14 084 777	20.75	$2 922 729 25			

* * * * * * * *

[fol. 15285] (Exhibit 160)

Panhandle Eastern Pipe Line Company

Purchase Agreement

February 2, 1942.

Glore, Forgan & Co. and
Kidder, Peabody & Co.,
as Representatives of the respective
Purchasers named within,
38 Wall Street, New York, N. Y.

Dear Sirs:

The undersigned, Panhandle Eastern Pipe Line Company (hereinafter called the "Company"), hereby confirms its agreement with the several Purchasers, or with the Purchaser, as the case may be, hereinafter named, as follows:

1. Purchasers and Representative. If there shall be two or more persons, firms or corporations named in paragraph 13 hereof, the term "Purchasers" as used herein shall be deemed to mean the several persons, firms, or corporations so named (including the Representative hereinafter mentioned, if so named), and if there shall be only one such person, firm or corporation so named, the term "Purchasers" as used herein shall mean such person, firm or corporation. The term "Representative" as used herein shall be deemed to mean the representative or, if more than one, the representatives to whom this Purchase Agreement is addressed, who by signing this Purchase Agreement represent that it or they have been authorized by the Purchasers to execute this Purchase Agreement on their behalf and to act for them in the manner herein provided, and if there shall be only one Purchaser the term "Representative" as used herein shall be deemed to mean such Purchaser. All obligations of the Purchasers hereunder are several in accordance with their respective interests and not joint, and nothing herein contained shall constitute the Purchasers co-partners of each other.

2. Description of Bonds and Stock. The Company proposes to issue $10,000,000 principal amount of its First Mortgage and First Lien 3% Bonds, Series C, due January 1, 1962 (hereinafter called the "Bonds"), to be issued under and secured by its presently existing Mortgage and Deed of Trust (hereinafter called the "Original Indenture"), dated November 1, 1940, to City Bank Farmers Trust Company and James M. Kemper, as Trustees, and a proposed Supplemental Indenture to be dated January 1, 1942 (hereinafter called the "Supplemental Indenture"). The Original Indenture and the Supplemental Indenture are hereinafter sometimes collectively called the "Indenture". The Bonds and the Supplemental Indenture have been duly authorized by appropriate corporate action and will be in the forms or substantially in the forms, respectively, filed with the Securities and Exchange Commission (hereinafter called the "Commission") in connection with the Registration Statement of the Company hereinafter mentioned. Two copies of the Original Indenture and of the Supplemental Indenture are herewith delivered to you, marked for identification.

The Company also proposes to issue 150,000 shares of its 5.60% Cumulative Preferred Stock (hereinafter called the "Stock"), to be created and authorized by a Certificate of Amendment of the Certificate of Incorporation of the Company (filed under Section 26 of Chapter 65 of the Revised Code, as amended, of the State of Delaware) and a proposed Certificate Setting Forth the Designation and Certain of the Terms of the 5.60% Cumulative Preferred Stock (to be filed under Section 13 of Chapter 65 of said Revised Code.) The Stock and said two Certificates (said two Certificates being hereinafter sometimes collectively called the "Certificate of Amendment") have been duly authorized by appropriate corporate action and the stock certificates for such Stock and said two Certificates will be in the forms or substantially the forms, respectively, filed with the Commission in connection with said Registration Statement. Two copies of each of said Certificates are herewith delivered to you, marked for identification.

[fol. 15286] 3. Representations and Warranties of the Company. The Company represents and warrants to the several Purchasers that:

(a) The Company has filed with the Commission a registration statement, on Form A-2 (Registration No. 2-4919), and a prospectus, for the registration of the Bonds and Stock under the Securities Act of 1933, as amended (hereinafter called the "Securities Act"), and such registration statement, as heretofore amended, has become effective for the purpose of the Company's public invitation for bids for the purchase of the Bonds and the Stock.. The Company has prepared and will promptly file with the Commission a post-effective amendment to such registration statement (hereinafter called the "Post-Effective Amendment") and an amended prospectus (copies of which are herewith delivered to you, marked for identification) and will not at any time before the effective date of the Post-Effective Amendment file any other amendment to such registration statement or any other amended prospectus of which the Representative shall not previously have been advised and furnished with a copy thereof or to which the Representative shall reasonably object in writing. Such registration statement, as heretofore amended, and as amended by the Post-Effective Amendment and by such other amendment or amendments thereto, if any, as may be filed before the effective date of the Post-Effective Amendment, and the amended prospectus now proposed to be filed or, if any other amended prospectus be filed before the effective date of the Post-Effective Amendment, the last such amended prospectus filed, are hereinafter called the "Registration Statement" (which term shall include all financial statements and exhibits) and the "Prospectus", respectively. The Company will not file any amendment to the Registration Statement or any supplement to the Prospectus or any amended prospectus after the effective date of the Post-Effective Amendment of which the Representative shall not previously have been advised and furnished with a copy thereof or which shall be disapproved by Messrs. Chadbourne, Hunt, Jaeckel & Brown who are acting as counsel on behalf of the several Purchasers for the purposes of this Purchase Agreement.

(b) When the Post-Effective Amendment shall become effective, the Registration Statement and the Prospectus will fully comply with the provisions of the Securities Act

and the Rules and Regulations of the Commission thereunder, and the Registration Statement will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, and the Prospectus will not contain an untrue statement of a material fact and will not omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading; provided, however, that it is understood that none of the representations and warranties in this clause (b) contained shall apply to statements or omissions in the Registration Statement or Prospectus made in reliance upon or in conformity with information furnished herein or in writing to the company by or on behalf of any Purchaser for use in connection with the preparation of the Registration Statement or Prospectus, or to any statements in or omissions from the Statements of Eligibility and Qualification (Forms T-1 and T-2) of the Trustees under the Indenture.

(c) The accountants who have certified or shall certify the financial statements and schedules (except certain financial statements of Michigan Gas Transmission Corporation and Indiana Gas Distribution Corporation which are stated in the Registration Statement not to be certified) filed and to be filed with the Commission as parts of the Registration Statement and the Prospectus are independent public or independent certified public accountants, as required by the Securities Act and the Rules and Regulations of the Commission thereunder.

(d) Since the respective dates as of which information is given in the registration statement and the prospectus, as heretofore amended, there has not been any substantial change in the condition of the Company or in the condition of its subsidiary company, financial or otherwise, except changes on account of dividends declared or changes arising from transactions in the ordinary course of business or except as described in the Post-Effective Amendment and the amended prospectus now proposed to be filed.

[fol. 15287] (e) The Company has filed with the Commission an application and declaration on Form U-1 under the Public Utility Holding Company Act of 1935, seeking an appropriate order authorizing or permitting the issue and sale by the Company of the Bonds and the Stock and the transactions related thereto. The State Corporation Commission of Kansas has issued its order or orders authorizing or permitting the issue and sale by the Company of the Bonds and the Stock and the transactions related thereto. Copies of the said order or orders have been heretofore delivered to the Representative. If the order sought from the Commission is obtained and if such order and said order or orders of the State Corporation Commission of Kansas continue in full force and effect, no consent of or approval by any other public board or body is necessary to authorize the issue and sale of the Bonds and the Stock, except that the Registration Statement under the Securities Act must become effective and there must be compliance with the securities laws in the states in which the Bonds and the Stock are to be sold.

(f) All the real property and interest therein of the Company subject or to be subject to the lien of the Indenture are or will be adequately described in the Indenture, in order that the Indenture shall constitute a valid lien on all such property.

4. Time and Place of Closing. Delivery of the Bonds and Stock (excepting the maximum number of shares to be reserved by the Company for offering to certain of its Common Stockholders as stated in paragraph 14 hereof, delivery of and payment for the shares so reserved and not subscribed for by such stockholders to be made at the time provided in said paragraph 14) and payment therefor shall be made at the office of City Bank Farmers Trust Company, 22 William Street, New York, New York, at 9:30 o'clock a.m. (Eastern Standard Time) on the third full business day (unless postponed in accordance with the provisions of paragraph 11 hereof) following the day on which the Post-Effective Amendment shall become effective, or at such other time on such date, not later than ten business days after such effective date, as shall be agreed upon in writing by the Company and the Repre-

sentative. The hour and date of such delivery and payment is herein called the "Closing Date". Anything herein contained to the contrary notwithstanding, the obligation of the Company to deliver any of the Bonds or Stock hereunder, and the obligation of the Purchasers to purchase any of the Bonds or Stock hereunder, shall be subject to the condition that at the Closing Date the Company shall sell and receive payment for all the Bonds and all the Stock (except as otherwise provided in paragraph 14 hereof) in accordance with the terms hereof. Payment for the Bonds and the Stock shall be made to the Company or its order by certified or bank cashier's checks in New York Clearing House funds for the respective accounts of the several Purchasers. Such payment shall be made upon delivery of the Bonds and of certificates for the Stock to the Representative for the respective accounts of the several Purchasers against receipt therefor signed by the Representative. Initial delivery of the Bonds shall be made in the denominations of $1,000 each, either (at the option of the Company) in temporary form without coupons or in definitive form with coupons, registerable as to principal only and in form satisfactory to Messrs. Chadbourne, Hunt, Jaeckel & Brown. If delivery of the Bonds shall be made in the form of temporary Bonds without coupons, such Bonds shall be exchangeable without charge to the holders thereof for definitive Bonds with coupons, registerable as to principal only, when prepared, which shall be as soon as reasonably practicable after the delivery of the temporary Bonds; provided, that at the option of the Company and on agreement with the Representative, such temporary Bonds shall also be exchangeable without charge to the holders thereof for the definitive fully registered Bonds without coupons, when prepared, in such denominations permitted by the Supplemental Indenture as may be agreed upon between the Company and the Representative and in form satisfactory to Messrs. Chadbourne, Hunt, Jaeckel & Brown, as soon as reasonably practicable after the delivery of the temporary Bonds. Initial delivery of the certificates for the Stock shall be made either (at the option of the Company) in temporary form or in definitive form registered in such names and in such denominations as the Representative

shall request in writing. If the Representative shall request that any certificate be issued in a name or names other than that of the Purchaser agreeing to purchase the shares of Stock represented thereby, such Purchaser shall pay any transfer taxes resulting from such issuance.

It is understood that the Representative, individually and not as the Representative, may (but shall not be obligated to) make payment to the Company for the Bonds and for the Stock to be purchased by any Pur- [fol. 15288] chaser whose check shall not have been received by the Representative on the Closing Date for the account of such Purchaser. Any such payment by the Representative shall not release such Purchaser from any of its obligations hereunder.

5. Deposit. The Company acknowledges the deposit with it by the several Purchasers of a certified or bank cashier's check or checks for 5% of the principal amount of the Bonds (amounting, in the aggregate, to $500,000) and 5% of the par value of the Stock (amounting, in the aggregate, to $750,000) agreed to be purchased by the respective Purchasers. The amount so deposited by each Purchaser shall be held by the Company as security for the faithful performance by such Purchaser of its obligations hereunder until disposed of as hereinafter in this paragraph 5 provided. Upon receipt by the Company of payment for the Bonds and Stock agreed to be purchased by any Purchaser as provided in paragraph 13 hereof, or if this agreement shall be terminated, otherwise than on account of the default of such Purchaser, either pursuant to the provisions of paragraph 11 hereof or by reason of non-fulfillment of the conditions specified in paragraph 4 hereof, the Company shall forthwith return the amount of such deposit, without interest, to the Representative for account of such Purchaser. In the event that this Purchase Agreement shall be duly terminated in accordance with the provisions of paragraphs 7, 8 or 10 hereof or because of any material misstatement in or breach of the representations or warranties in paragraph 3 hereof or of any default of the Company in the performance of its obligations hereunder, the Company shall forthwith return the amount of all such deposits, without interest, to the

Representative for the account of the respective Purchasers. The Company may return such deposits either by returning the checks deposited with it by the Representative or the several Purchasers or by issuing and delivering to the Representative or the several Purchasers (as the case may be) its own check or checks, certified if requested, in amounts equal to the amount so deposited by the Representative or the several Purchasers (as the case may be). In the event that any Purchaser shall fail or refuse, otherwise than for some reason sufficient to justify in accordance with the terms hereof the cancellation or termination of its obligations hereunder, to purchase and pay for the Bonds and the Stock which such Purchaser has agreed to purchase, as provided in paragraph 13 hereof, the deposit made by such Purchaser shall become the property of the Company free of any claim on the part of such Purchaser or of the Representative, without prejudice, however, to any other rights of the Company under this Purchase Agreement.

6. Covenants of the Company. The Company covenants and agrees that:

(a) The Company will use its best efforts, when and as requested by the Representative, (i) to qualify the Bonds and Stock for sale under the securities or blue sky laws of such states as the Representative may designate (provided, always, that the Company shall not be required to expend for such purpose more than the maximum amount specified in subparagraph (e) (v) of this paragraph 6); and (ii) as soon as practicable after request of the Representative, made not later than fifteen months after the delivery of and payment for the Bonds and Stock, to procure the listing of the Bonds and the Stock on the New York Stock Exchange, and the registration thereof under the Securities Exchange Act of 1934.

(b) The Company will promptly deliver to the Representative two conformed copies of the aforesaid registration statement as originally filed and of all amendments thereto heretofore or hereafter made, including the Post Effective Amendment (in each case including all exhibits thereto filed therewith), and of any further amended prospectus, and will also deliver to the Representative, for

distribution to the Purchasers, a sufficient number of additional copies of each of the foregoing (but without exhibits) so that one copy of each may be distributed to each Purchaser. The Company will also send to the Purchasers, without expense to them, on the effective date of the Post-Effective Amendment and thereafter from time to time during the period of one year after the effective date of the Post-Effective Amendment, as many copies of the Prospectus as supplemented or amended, if the Company shall have made any supplements or amendments thereto, as the Representative may reasonably request for the purposes contemplated by the Securities Act.

[fol. 15289] (e) The Company will pay all expenses in connection with (i) the preparation and filing by it of the Registration Statement and Prospectus and the printing of this Purchase Agreement, (ii) the issue and delivery of the Bonds and Stock as provided in paragraphs 4 and 14 hereof, (iii) the preparation, execution and recording and/or filing of the Supplemental Indenture and the Certificate of Amendment, (iv) the listing of the Bonds and the Stock on the New York Stock Exchange and the registration thereof under the Securities Exchange Act of 1934 (if there shall be any such listing and registration of the Bonds and Stock), (v) the qualification of the Bonds and Stock under state securities or blue sky laws as aforesaid, but not in excess of $3,000 including filing fees; and (vi) the printing and furnishing to the Purchasers in reasonable quantities of copies of the Registration Statement and the Prospectus and any amendments or supplements thereto; and will pay all Federal taxes (but not including any transfer taxes) on the issue of the Bonds and Stock. The Company shall not, however, be required to pay any amount for any expenses of the Representative or any of the Purchasers, except that if this agreement shall be duly terminated in accordance with the provisions of paragraphs 4, 7, 8, 10 or 11 hereof or because of any material misstatement in or breach of the representations or warranties in paragraph 3 hereof or of any default of the Company in the performance of its obligations hereunder, the Company will reimburse the Representative for the reasonable fees and disbursements of Messrs. Chadbourne, Hunt, Jaeckel & Brown, who are acting on behalf of the several

Purchasers for the purposes of this Purchase Agreement: The Company shall not in any event be liable to any of the several Purchasers for damages on account of loss of anticipated profits.

(d) The Company will advise the Representative, immediately, and confirm the advice in writing, when the Post-Effective Amendment shall have become effective and when appropriate orders have been entered by the Commission and the State Corporation Commission of Kansas permitting the issuance and sale of the Bonds and the Stock.

(e) The Company will promptly notify each Purchaser in the event of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement, or in the event of the institution or notice of intended institution of any action or proceeding for that purpose.

(f) In the the event the Commission shall enter a stop order suspending the effectiveness of the Registration Statement after the Bonds and Stock have been delivered to the several Purchasers and paid for as herein provided, the Company will make every reasonable effort to obtain the lifting of such order at the earliest possible moment.

(g) Until the expiration of one year after the Registration Statement becomes effective, the Company will comply so far as it is able, and at its own expense, with all requirements imposed upon it by the Securities Act, as now and hereafter amended, and by the Rules and Regulations of the Commission thereunder, as from time to time in force, so far as necessary to permit the continuance of sales of or dealings in the Bonds and Stock in accordance with the provisions hereof and the Prospectus.

(h) The Company will, so long as any of the Bonds or Stock shall be outstanding, deliver to the Representative upon its request, and to each Purchaser who may so request, as soon as practicable after the close of every fiscal year, a balance sheet of the Company, setting forth its financial condition as of the end of such fiscal year, together with statements of income and surplus for such fiscal year, all in reasonable detail, such balance sheet and statements of income and surplus to be accompanied by a copy of the certificate or report with respect thereto of

independent public or certified public accountants, who may be the regular accountants for the Company. If there be subsidiaries of the Company whose accounts, in the ordinary practice of the Company, are consolidated with the Company's accounts, such financial statements shall be furnished on a consolidated basis.

(i) During a period of one year after the effective date of the Post-Effective Amendment, if any event relating to or affecting the Company or its subsidiaries, or of which the Company shall be advised in writing by the Representative, shall occur as a result of which it is necessary to supplement or amend the Prospectus in order to make the Prospectus not misleading in the light of the circum- [fol. 15290] stances existing at the time it is delivered to a Purchaser, the Company will forthwith at its expense prepare and furnish to the Purchasers a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Prospectus (in form satisfactory to Messrs. Chadbourne, Hunt, Jaeckel & Brown) which will supplement or amend the Prospectus so that as supplemented or amended it will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Prospectus is delivered to a purchaser, not misleading. In case any Purchaser is required to deliver a prospectus descriptive of the Bonds and Stock after the expiration of one year after the effective date of the Post-Effective Amendment, the Company, upon the request of the Representative, will furnish to the Representative, at the expense of such Purchaser, a reasonable quantity of supplemented prospectuses or supplements to the Prospectus complying with Section 10 of the Securities Act. For the purposes of this paragraph (i) the Company will furnish such information with respect to itself and its subsidiaries as the Representative may from time to time reasonably request.

(j) The Company will make generally available to its security holders, as soon as practicable, an earning statement (which need not be audited) in the same detail as the statement of income appearing in the Registration Statement, covering a period of at least twelve months

beginning not earlier than the effective date of the Post-Effective Amendment.

(k) The Company will apply the proceeds from the sale of the Bonds and the Stock as set forth in answer to Item 28 of the Registration Statement.

7. Conditions of Purchasers' Obligations. The obligations of the several Purchasers to purchase and pay for the Bonds and Stock shall be subject to the performance by the Company of its obligations to be performed hereunder at and prior to the Closing Date, and upon the following terms and conditions:

(a) The Post-Effective Amendment shall have become effective prior to 7 o'clock P. M. (Eastern Standard Time) on February 4, 1942, or such other time and date, not later than 7 o'clock P. M. (Eastern Standard Time) on the seventh day thereafter, as may be approved by the Representative; the effectiveness of the Registration Statement shall continue; and no stop order shall have been issued under the Securities Act, or proceedings therefor instituted by the Commission, prior to the Closing Date.

(b) Prior to 7 o'clock P. M. (Eastern Standard Time) on February 4, 1942, or such other time and date, not later than 7 o'clock P. M. (Eastern Standard Time) on the seventh day thereafter, as may be approved by the Representative, there shall have been issued, and on the Closing Date there shall be in full force and effect, an order or orders of the Commission and of the State Corporation Commission of Kansas permitting the issuance and sale of the Bonds and the Stock and the transactions related thereto on the terms and conditions herein set forth or contemplated and containing no provision unacceptable to the Representative.

(c) At or prior to the Closing Date the several Purchasers shall have received from Messrs. Chadbourne, Hunt, Jaeckel & Brown, who are acting on behalf of the several Purchasers for the purposes of this Purchase Agreement, a favorable opinion (in rendering which they may rely upon either or both of the Company's counsel named in subparagraph (d) hereof regarding matters pertaining to titles, franchises, the lien of the Indenture, recording and filing of the Indenture and conformity to local

law, with the reservation that they have not passed upon and express no opinion with respect to such matters except that they have independently examined the laws of the various states in which the Company's properties are located as to the jurisdiction of State Commissions over the issuance of the Bonds and Stock and concur in the opinion of Company's counsel with regard to this matter) to the effect that—

(i) the Company is a validly organized and existing corporation under the laws of the State of Delaware;

[fol. 15291] (ii) the Indenture has been duly and validly authorized, executed and delivered and is in due and proper form and constitutes the valid mortgage of the Company;

(iii) the execution, authentication and issuance of the Bonds have been duly and validly authorized by all necessary corporate action and the Bonds are in due and proper form and when duly executed and authenticated and delivered to the Purchasers thereof against payment of the agreed consideration therefor they will be legal, valid and binding obligations of the Company enforceable (subject to bankruptcy and insolvency laws) in accordance with their terms and entitled to the benefits and security of the Indenture;

(iv) the Certificate of Amendment has been duly and validly authorized, executed and filed and constitutes valid amendments to the Certificate of Incorporation of the Company;

(v) the issuance and sale of the Stock have been duly and validly authorized by all necessary corporate action, and the certificates therefor are in due and proper form and when duly executed and delivered to the Purchasers thereof against payment of the agreed consideration therefor, the shares represented thereby will be duly and validly issued and full paid and non-assessable;

(vi) the execution and delivery of this Purchase Agreement have been duly and validly authorized by all necessary corporate action on the part of the Company and constitutes the valid and binding agreement of the Company;

(vii) orders have been entered (in proceedings as to the validity of which they have relied upon opinions of counsel for the Company) by the Commission under the Public Utility Holding Company Act of 1935 and by the State Corporation Commission of Kansas, permitting the issuance and sale of the Bonds and the Stock and the transactions related thereto; and no further approval, authorization, consent, certificate or order of any public board or body is legally required for the issuance and sale by the Company of the Bonds and Stock pursuant to this agreement;

(viii) the Post Effective Amendment has become, and at the closing date the Registration Statement is, effective under the Securities Act, and, to the best of their knowledge, no proceedings for a stop order are pending or threatened under Section 8(d) of the Securities Act;

(ix) the Registration Statement and Prospectus (other than the financial statements included therein as to which no opinion need be rendered) comply as to form in all material respects with the requirements of the Securities Act, and the Trust Indenture Act of 1939 and the Rules and Regulations of the Commission thereunder;

(x) the Indenture is qualified under the Trust Indenture Act of 1939;

(xi) the terms and provisions of the Bonds and the Stock conform to their respective descriptions contained in the Registration Statement and in the Prospectus; and

(xii) the Board of Directors of the Company has adopted resolutions authorizing the redemption or other acquisition for retirement of all its outstanding Class A Preferred Stock at a price equal to the par value of such stock plus accrued and unpaid preferential dividends thereon, and all such stock has been surrendered to the Company upon payment by it of such price.

(d) At or prior to the Closing Date the several Purchasers shall have received the favorable opinions of Edward N. Goodwin, Esq., General Counsel for the Company, and or Glenn W. Clark, Esq., Head of the Legal Department of the Company, in form and substance satisfactory to Messrs. Chadbourne, Hunt, Jaeckel & Brown, to the effect that—

(i) the Company is a corporation duly organized and existing under the laws of the State of Delaware and is duly authorized to carry on the business in which it, according to the statements made in the Registration Statement, is presently engaged;

[fol. 15292] (ii) the Company is duly qualified as a foreign corporation in the States of Texas, Oklahoma, Kansas, Missouri, Illinois and Indiana;

(iii) the Indenture has been duly and validly authorized, executed and delivered and is in due and proper form and constitutes the valid mortgage of the Company;

(iv) the Indenture is a valid and direct first lien on all fixed properties of the Company as defined in the Indenture (excluding any property specifically excepted from the lien of the Indenture by the provisions thereof), subject to a certain leasehold purchase obligation in the principal sum of $14,255.87 and to certain other liens, exceptions and reservations (including permissible encumbrances defined in the Indenture) which do not, in the opinion of such counsel, materially affect the Company's title to or right to use such property and to the prior lien of the Trustees under the Indenture for compensation, expenses and liabilities; and that there have also been validly pledged under the Indenture all the outstanding capital stock of Illinois Natural Gas Company, an Illinois corporation, and all the right, title and interest of the Company in and to certain contracts between the Company and certain third parties, which securities and contracts are specifically listed in the granting clauses of the Original Indenture;

(v) the Bonds are in due and proper form, have been duly and validily authorized by all necessary corporate action and when the same have been duly executed and authenticated and delivered to the Purchasers thereof against payment of the agreed consideration therefor, they will be legal, valid and binding obligations of the Company enforceable (subject to bankruptcy and insolvency laws) in accordance with their terms and entitled to the benefits and security of the Indenture;

(vi) the Certificate of Amendment has been duly and validly authorized, executed and filed and constitutes

valid amendments to the Certificate of Incorporation of the Company;

(vii) the issuance and sale of the Stock have been duly and validly authorized by all necessary corporate action, and the certificates therefor are in due and proper form and when duly executed and delivered to the Purchasers thereof against payment of the agreed consideration therefor, the shares represented thereby will be duly and validly issued and full-paid and nonassessable;

(viii) the execution and delivery of this Purchase Agreement have been duly and validly authorized by all necessary corporate action on the part of the Company and constitutes a valid and binding agreement of the Company;

(ix) orders have been entered by the Commission under the Public Utility Holding Company Act of 1935 and by the State Corporation Commission of Kansas, permitting the issuance and sale of the Bonds and the Stock and the transactions related thereto; and no further approval, authorization, consent, certificate or order of any public board or body is legally required for the issuance and sale by the Company of the Bonds and the Stock pursuant to this agreement;

(x) the Post Effective Amendment has become, and at the closing date the Registration Statement is, effective under the Securities Act, and to the best of their knowledge no proceedings for a stop order are pending or threatened under Section 8 (d) of the Securities Act;

(xi) the Registration Statement and Prospectus (other than the financial statements included therein, as to which no opinion need be rendered) comply as to form in all material respects with the requirements of the Securities Act and the Trust Indenture Act of 1939 and the Rules and Regulations of the Commission thereunder;

(xii) the Indenture is qualified under the Trust Indenture Act of 1939;

(xiii) the Board of Directors of the Company has adopted resolutions authorizing the redemption or other acquisition for retirement of all its outstanding Class A Pre-
[fol. 15293] ferred Stock at a price equal to the par value

of such stock plus accrued and unpaid preferential dividends thereon, and all such stock has been surrendered to the Company upon payment by it of such price;

(xiv) the portions of the answers to the Items in the Registration Statement and the corresponding information contained in the Prospectus which are stated therein to have been made on their authority have been reviewed by them and, as to matters of law and legal conclusions, are correct;

(xv) the outstanding capital stock of the Company as set forth in Item 10A of the Registration Statement has been duly authorized and is validly issued and outstanding and full paid and non-assessable (except for the Class A Preferred Stock being acquired by the Company as stated in clause (xiii) above);

(xvi) to the best of their knowledge, neither the Company nor its subsidiary is involved in any material litigation nor does the Company or its subsidiary have any material contracts not made in the ordinary course of business required to be set forth in the Registration Statement, except as set forth in the answers to Items 40 and 41 thereof, respectively;

(xvii) the Company and its subsidiary possess all licenses, permits, consents and/or orders of governmental political subdivisions or regulatory authorities required for the maintenance and operation of their respective properties and businesses as now conducted;

(xviii) the existing gas contracts and gas and gas and oil leases to which the Company is a party are valid and enforceable contracts and leases in accordance with their terms;

(xix) Illinois Natural Gas Company is a duly organized and legally existing corporation under the laws of the State of Illinois with power and authority to carry on the business in which it, according to the statements made in the Registration Statement, is presently engaged and has outstanding stock consisting of 28,000 shares of common stock without par value, all of which have been duly authorized and issued and are full paid and non-assessable;

(xx) Michigan Gas Transmission Corporation is a duly organized and legally existing corporation under the laws of the State of Delaware and has outstanding capital stock consisting of 44,800 shares of common stock without par value, all of which have been duly authorized and issued and are full paid and non-assessable;

(xxi) Indiana Gas Distribution Company is a duly and legally existing corporation under the laws of the State of Indiana and has outstanding capital stock consisting of 20 shares of common stock without par value, all of which have been duly authorized and issued and are full paid and non-assessable;

(xxii) as contemplated in Item 29 of the Registration Statement, the Company has acquired (a) from Columbia Gas & Electric Corporation the outstanding securities (including open account indebtedness) of Michigan Gas Transmission Corporation and Indiana Gas Distribution Corporation owned by (or owed to) said Columbia Gas & Electric Corporation and (b) from The Ohio Fuel Gas Company, the pipe lines referred to in said Item 29; and

(xxiii) the terms and provisions of the Bonds and the Stock conform to their respective descriptions contained in the Registration Statement and in the Prospectus.

At or prior to the Closing Date the several Purchasers shall also have received (a) photostatic copies of the opinion dated February 3, 1941 of Glenn W. Clark, Esq., addressed to Messrs. Chadbourne, Hunt, Jaeckel & Brown (having annexed thereto photostatic copies of opinions of various local counsel referred to therein) with respect to the Company's titles to its properties and the lien of the Original Indenture, (b) favorable opinions of the said Glenn W. Clark, Esq. (which may be based upon opinions of local counsel in whom he has confidence), in form and substance satisfactory to Messrs. Chadbourne, Hunt, Jaeckel & Brown, as to the Company's title to property of [fol. 15294] the character of "fixed property" defined in the Indenture, acquired by it subsequent to the title examinations made in connection with the rendering of the opinions referred to in (a) above (including the pipe lines to be acquired from The Ohio Fuel Gas Company, referred to above) and as to the titles of Michigan Gas

Transmission Corporation and Indiana Gas Distribution Corporation to their respective properties.

(e) At the Closing Date the Representative shall have received a certificate, dated as of the Closing Date, signed by the President or a Vice-President and the Treasurer or the Secretary of the Company, to the effect that (i) no stop order has been issued under the Securities Act and no proceedings therefor have been instituted by the Commission, (ii) the orders of the Commission and of the State Corporation Commission of the State of Kansas permitting the issuance and sale of the Bonds and the Stock are still in full force and effect, (iii) since the respective dates as of which information is given in the Registration Statement and Prospectus, there has not been any substantial adverse change in the condition, financial or otherwise, of the Company or its subsidiary, except such as shall have occurred by reason of transactions in the ordinary and regular conduct of business, and (iv) since such dates, except as set forth in the Registration Statement, there has not been any material transaction entered into by the Company, other than transactions in the ordinary course of business and the payment of dividends on the stock of the Company.

(f) All legal proceedings to be taken in connection with the issuance and sale of the Bonds and Stock shall be satisfactory in form and substance to Messrs. Chadbourne, Hunt, Jaeckel & Brown, acting on behalf of the several Purchasers for the purposes of this Purchase Agreement.

In case any of the conditions specified above in this paragraph 7 shall not have been fulfilled, this Purchase Agreement may be terminated by the Representative with the consent of Purchasers which have agreed to purchase in the aggregate fifty per cent or more of the aggregate principal amount of the Bonds and par value of the Stock agreed to be purchased hereunder, upon mailing or delivering written notice thereof to the Company. Any such termination shall be without liability of any party to any other party except as otherwise provided in paragraph 5 and in subparagraph (e) of paragraph 6 hereof.

8. Conditions of the Company's Obligations. The obligations of the Company to deliver the Bonds and the

Stock shall be subject to the following conditions:

(a) The Post-Effective Amendment shall have become effective prior to 7 o'clock P. M. (Eastern Standard Time) on February 4, 1942, or such other time and date, not later than 7 o'clock P. M. (Eastern Standard Time) on the seventh day thereafter, as may be approved by the Company, and no stop order shall have been issued under the Securities Act or proceedings therefor instituted by the Commission prior to the Closing Date.

(b) Prior to 7 o'clock P. M. (Eastern Standard Time) on February 4, 1942, or such other time and date, not later than 7 o'clock P. M. (Eastern Standard Time) on the seventh day thereafter, as may be approved by the Company, there shall have been issued, and on the Closing Date there shall be in full force and effect, orders of the Commission and of the State Corporation Commission of Kansas permitting the issuance and sale of the Bonds and the Stock and the transactions related thereto on the terms and conditions herein set forth or contemplated and containing no provision unacceptable to the Company.

(c) The Indenture shall have become and be qualified under the Trust Indenture Act of 1939.

In case any of the conditions specified above in this paragraph 8 shall not have been fulfilled, this Purchase Agreement may be terminated by the Company, upon mailing or delivering written notice thereof to the Representative. Any such termination shall be without liability of any party to any other party except as otherwise provided in paragraph 5 and in subparagraph (c) of paragraph 6 hereof.

9. Indemnification. (a) The Company agrees to indemnify and hold harmless each Purchaser and each person, if any, who controls any Purchaser within the meaning of Section 15 of the Securities Act, from and against [fol. 15295] any and all losses, claims, damages or liabilities, joint or several, to which such Purchaser or such controlling person may become subject under the Securities Act, or the common law, or otherwise (and will reimburse each such Purchaser and controlling person for any reasonable legal or other expenses incurred by it or

them in connection with defending against any such losses, claims, damages or liabilities unless the Company designates counsel, with the approval of such Purchaser or controlling person, which approval shall not be unreasonably withheld, to conduct the defense of such action at its own expense as hereinafter provided) arising out of or based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any post-effective amendments thereto, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) any untrue statement or alleged untrue statement of a material fact contained in the Prospectus (or the Prospectus as amended or supplemented, if such losses, claims, damages or liabilities arise out of or are based upon the use of the Prospectus or the Prospectus as amended or supplemented after the Company shall have amended or supplemented the Prospectus), or the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that in no case shall the Company be liable under the indemnity agreement contained in this paragraph unless such Purchaser or controlling person, within ten days after a summons or other legal process shall have been served upon it, shall notify the Company in writing of such service and shall have afforded the Company an opportunity to appoint counsel to conduct the defense of such suit in association with such other counsel, if any, as such Purchaser or controlling person may choose to select, the fees and expenses of such other counsel, if any, to be paid in such case by such Purchaser or controlling person; and, provided, further, that the indemnity agreement contained in this paragraph shall not apply to any such losses, claims, damages or liabilities arising out of or based upon any such untrue statement or alleged untrue statement, or any such omission or alleged omission, if such statement or omission was made in reliance upon and in conformity with information furnished herein or in writing to the Company by or on behalf of any Purchaser for use in connection with the preparation of the Registration Statement or the Pros-

pectus or any amendment or supplement to either thereof, or arising out of or based upon statements in or omissions from that part of the Registration Statement which shall constitute the Statements of Eligibility and Qualification under the Trust Indenture Act of 1939 (Forms T-1 and T-2) of the Trustees under the Indenture. The failure to notify the Company, as hereinabove provided, of any such action shall not relieve it from any liability which it may have to the person against whom such action is brought by reason of any such statement or omission, otherwise than on account of the indemnify agreement contained in this paragraph. The indemnity agreement of the Company contained in this paragraph and the representations and warranties of the Company contained in paragraph 3 hereof shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Purchaser or any such controlling person, and shall survive the delivery of any payment for the Bonds and the Stock. The Company agrees promptly to notify the Representative of the commencement of any litigation or proceedings against the Company or any of its officers or directors in connection with the issuance and sale of the Bonds and the Stock.

(b) Each Purchaser severally agrees to indemnify and hold harmless the Company and each other Purchaser and each person, if any, who controls any such Purchaser within the meaning of Section 15 of the Securities Act, from and against any and all losses, claims, damages or liabilities, joint or several, to which the Company or the other Purchasers and any other persons controlling any of them, or any one or more of them, may become subject under the Securities Act, or the common law, or otherwise (and will reimburse the Company, and the other Purchasers and each person controlling any of them, and each of them, for any reasonable legal or other expenses incurred by it or them, or any of them, in connection with defending against any such losses, claims, damages or liabilities, unless such Purchaser designates counsel, with the approval of the Company, which approval shall not be unreasonably withheld, to conduct the defense of such action at its own expense as hereinafter provided) arising out of or based upon (i) any untrue statement or alleged

untrue statement of a material fact contained in the Registration Statement or any post-effective amendments thereto, or the omission or alleged omission to state [fol. 15296] therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) any untrue statement or alleged untrue statement of a material fact contained in the Prospectus (or the Prospectus as amended or supplemented, if such losses, claims, damages or liabilities arise out of or are based upon the use of the Prospectus or the Prospectus as amended or supplemented after the Company shall have amended or supplemented the Prospectus), or the ommission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, if such statement or omission was made in reliance upon and in conformity with information furnished herein or in writing to the Company by or on behalf of such Purchaser for use in connection with the preparation of the Registration Statement or the Prospectus or any amendment or supplement to either thereof, or resulted from any action or alleged action by such Purchaser contrary to information furnished to the Company by such Purchaser or the Representative as to discounts or concessions allowed to any dealer or any other person or classes of persons; provided, however, that in no case shall any Purchaser be liable under this paragraph to the Company or to any other Purchaser unless the Company or such one or more of the other Purchasers, within ten days after a summons or other legal process shall have been served upon the Company or such one or more of the other Purchasers, shall notify such Purchaser in writing of such service and shall have afforded such Purchaser an opportunity to appoint counsel to conduct the defense of such suit in association with such other counsel, if any, as the Company or such one or more of the other Purchasers may choose to select, the fees and expenses of such other counsel, if any, to be paid in such case by the Company or such one or more of the other Purchasers. The failure to notify any Purchaser, as hereinabove provided, of any such action shall not relieve such Purchaser from any liability which it may have to the Company or to any one or more of the other Purchasers

by reason of any such statement, omission, or action otherwise than on account of the indemnity agreement contained in this paragraph. The indemnity agreement of each Purchaser contained in this paragraph shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Company or any other Purchaser or any such controlling person, and shall survive the delivery of and payment for the Bonds and Stock. Each Purchaser agrees promptly to notify the Company of the commencement of any litigation or proceedings against it in connection with the issuance and sale of the Bonds and the Stock.

10. Termination. This Purchase Agreement may be terminated at any time prior to the expiration of twenty-four hours after the Post-Effective Amendment shall become effective (but not after the initial public offering of the Bonds and Stock purchased hereunder, if the Purchasers shall make a public offering thereof), by the Representative with the consent of Purchasers which have agreed to purchase in the aggregate fifty per cent or more of the aggregate principal amount of the Bonds and of the par value of the Stock agreed to be purchased hereunder, if the market value of securities in general or political, financial or economic conditions shall have so materially changed after 12 noon, Eastern Standard Time, on the date of this Purchase Agreement and within the time set forth above as, in the judgment of the Representative, to render it either inadvisable to make a public offering (if contemplated) or inadvisable to proceed with the delivery of the Bonds and Stock agreed to be purchased hereunder. This Purchase Agreement may be terminated by the Representative, with like consent, at any time prior to the Closing Date, if the Company shall have sustained a substantial loss by fire, flood, accident or other calamity which, in the judgment of the Representative, shall render it inadvisable to proceed with the delivery of the Bonds and Stock agreed to be purchased hereunder, whether or not said loss shall have been insured, and the Company agrees to notify the Representative promptly of any such loss. Any termination of this Purchase Agreement pursuant to this paragraph 10 shall be without liability of any party to any other party except

as otherwise provided in paragraph 5 and in sub-paragraph (e) of paragraph 6 hereof. The time of the "initial public offering", for the purposes of this paragraph 10, shall mean the time of the release by the Representative for publication of the first newspaper advertisement which is subsequently published relating to the Bonds and the Stock, or the time of the release by the Representative for delivery to members of a selling group of copies of the Prospectus and signed copies of an offering letter or an offering telegram to such selling group members relating to the Bonds and the Stock, whichever shall first occur.

[fol. 15297] If the Representative elects to terminate this agreement, as provided in this paragraph 10, the Company and each other Purchaser shall be notified promptly by telephone or telegram, confirmed by letter.

11. Substitution of Purchasers. If for any reason any one or more of the Purchasers shall fail or refuse to purchase and pay for the principal amount of Bonds and number of shares of Stock set forth opposite its or their names in paragraph 13 hereof, upon tender at the Closing Date of such Bonds and Stock (subject to the provisions of paragraph 14 hereof) in accordance with the terms hereof, the Company shall immediately notify the remaining Purchasers, who may within twenty-four hours of receipt of such notice agree to purchase or procure some other responsible party or parties satisfactory to the Company to agree to purchase such Bonds and Stock on the terms herein set forth; and if the remaining Purchasers shall not agree to purchase and shall not procure a satisfactory party or parties to agree to purchase such Bonds and Stock, within twenty-four hours after the receipt of such notice, then the Company shall be entitled to an additional period of twenty-four hours within which to procure another party or parties to agree to purchase such Bonds and Stock on the terms herein set forth. In any such case, either the Representative or the Company shall have the right to postpone the Closing Date not more than seven business days from the date determined as provided in paragraph 4 hereof, in order that the necessary changes in the Registration Statement and Prospectus and any other documents and arrangements may be effected. If the remaining Purchasers shall not agree to purchase and shall not procure a satisfactory party or par-

ties to agree to purchase such Bonds and Stock, and if the Company also shall not procure another party or parties to agree to purchase such Bonds and Stock within the aforesaid periods, then this Purchase Agreement shall terminate without any liability on the part of the Company (except as otherwise provided in paragraph 5 and in subparagraph (c) of paragraph 6 hereof) or any Purchaser (other than a Purchaser who shall have failed or refused, otherwise than for some reason sufficient to justify in accordance with the terms hereof the cancellation or termination of its obligations hereunder, to purchase and pay for the Bonds and Stock which such Purchaser has agreed to purchase as provided in paragraph 13 hereof).

12. Miscellaneous. This Purchase Agreement shall inure to the benefit of the Company, the several Purchasers, each controlling person referred to in paragraph 9 hereof, and their respective successors and assigns. Nothing in this Purchase Agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable right, remedy or claim under or in respect of this Purchase Agreement or any provision herein contained. The term "successors and assigns" as used in this Purchase Agreement shall not include any purchaser, as such purchaser, of any of the Bonds or Stock from any of the several Purchasers.

13. Purchase, Sale and Delivery. On the basis of the representations and warranties herein contained, but subject to the terms and conditions in this Purchase Agreement set forth, the Company agrees to sell to each of the several Purchasers named below, and each such Purchaser agrees, severally and not jointly, to purchase from the Company (a) the principal amount of Bonds set forth below after the name of such Purchaser, at 100.02% of the principal amount thereof plus accrued interest thereon from January 1, 1942, to the date of delivery; and (b) the number of shares of Stock set forth below after the name of such Purchaser (subject to the provisions of paragraph 14 hereof), at $100.2789 per share plus accrued dividends thereon from January 1, 1942 to the date of delivery:

[fol. 15297]

Name	Address	Principal Amount of Bonds	Number of Shares of Stock
Glore, Forgan & Co.	38 Wall Street, New York, N. Y.	$ 1,105,000	20,000
Kidder, Peabody & Co.	17 Wall Street, New York, N. Y.	1,105,000	20,000
The First Boston Corporation	100 Broadway, New York, N. Y.	870,000	12,900
Blair & Co., Inc.	44 Wall Street, New York, N. Y.	525,000	8,000
[fol. 15298] Eastman, Dillon & Co.	15 Broad Street, New York, N. Y.	$ 525,000	6,600
Hemphill, Noyes & Co.	15 Broad Street, New York, N. Y.	525,000	6,600
Hornblower & Weeks	40 Wall Street, New York, N. Y.	525,000	7,500
W. E. Hutton & Co.	14 Wall Street, New York, N. Y.	525,000	7,500
Lee Higginson Corporation	40 Wall Street, New York, N. Y.	525,000	7,000
White, Weld & Co.	40 Wall Street, New York, N. Y.	525,000	7,500
Bodell & Co., Inc.	32 Custom House Street, Providence, R. I.	360,000	4,500
Hallgarten & Co.	44 Wall Street, New York, N. Y.	210,000	6,000
Harris, Hall & Company (Incorporated)	111 West Monroe Street, Chicago, Ill.	360,000	6,000
Baker, Weeks & Harden	52 Wall Street, New York, N. Y.	240,000	3,000
Graham, Parsons & Co.	1421 Chestnut Street, Philadelphia, Pa.	240,000	3,500
Mitchum, Tully & Co.	405 Montgomery Street, San Francisco, Calif.	240,000	3,000
G. M.-P. Murphy & Co.	111 Broadway, New York, N. Y.	240,000	3,750
The Wisconsin Company	110 East Wisconsin Avenue, Milwaukee, Wis.	240,000	3,000
Dean Witter & Co.	45 Montgomery Street, San Francisco, Calif.	240,000	3,000
E. W. Clark & Co.	Locust at 16th Street, Philadelphia, Pa.	125,000	1,500
R. S. Dickson & Company, Incorporated	Wilder Building, Charlotte, N. C.	125,000	1,500
Moore, Leonard & Lynch	Union Trust Building, Pittsburg, Pa.	125,000	1,500
Maynard H. Murch & Co.	925 Euclid Avenue, Cleveland, Ohio	125,000	1,500
Singer, Deane & Scribner	Union Trust Building, Pittsburg, Pa.	125,000	1,500
Pacific Company of California	623 South Hope Street, Los Angeles, Cal.	70,000	900

Kidder, Peabody & Co.	17 Wall Street, New York, N. Y.	1,105,000	20,000
The First Boston Corporation	100 Broadway, New York, N. Y.	870,000	12,900
Blair & Co., Inc.	44 Wall Street, New York, N. Y.	525,000	8,000
[fol. 5298] Eastman, Dillon & Co.	15 Broad Street, New York, N. Y.	$ 525,000	6,600
Hemphill, Noyes & Co.	15 Broad Street, New York, N. Y.	525,000	6,600
Hornblower & Weeks	40 Wall Street, New York, N. Y.	525,000	7,500
W. E. Hutton & Co.	14 Wall Street, New York, N. Y.	525,000	7,500
Lee Higginson Corporation	40 Wall Street, New York, N. Y.	525,000	7,000
White, Weld & Co.	40 Wall Street, New York, N. Y.	525,000	7,500
Bodell & Co., Inc.	32 Custom House Street, Providence, R. I.	360,000	4,500
Hallgarten & Co.	44 Wall Street, New York, N. Y.	210,000	6,000
Harris, Hall & Company (Incorporated)	111 West Monroe Street, Chicago, Ill.	360,000	6,000
Baker, Weeks & Harden	52 Wall Street, New York, N. Y.	240,000	3,000
Graham, Parsons & Co.	1421 Chestnut Street, Philadelphia, Pa.	240,000	3,500
Mitchum, Tully & Co.	405 Montgomery Street, San Francisco, Calif.	240,000	3,000
G. M.-P. Murphy & Co.	111 Broadway, New York, N. Y.	240,000	3,750
The Wisconsin Company	110 East Wisconsin Avenue, Milwaukee, Wis.	240,000	3,000
Dean Witter & Co.	45 Montgomery Street, San Francisco, Calif.	240,000	3,000
E. W. Clark & Co.	Locust at 16th Street, Philadelphia, Pa.	125,000	1,500
R. S. Dickson & Company, Incorporated	Wilder Building, Charlotte, N. C.	125,000	1,500
Moore, Leonard & Lynch	Union Trust Building, Pittsburg, Pa.	125,000	1,500
Maynard H. Murch & Co.	925 Euclid Avenue, Cleveland, Ohio	125,000	1,500
Singer, Deane & Scribner	Union Trust Building, Pittsburg, Pa.	125,000	1,500
Pacific Company of California	622 South Hope Street, Los Angeles, Cal.	70,000	900
J. M. Dain & Company	2350 Rand Tower, Minneapolis, Minn.	60,000	750
Clement A. Evans & Company, Inc.	1320 1st National Bank Building, Atlanta, Ga.	60,000	750
Quail & Co.	902 Davenport Bank Building, Davenport, Iowa	60,000	750
		$10,000,000	150,000